

CITY COUNCIL MINUTES

August 12, 2013

The Honorable Council of the City of Evansville met on regular session at 5:30 p.m. on Monday, August 12, 2013 in the City Council Chambers, Room 301 Civic Center Complex, Evansville, Indiana, with President Connie Robinson presiding. The following business was conducted.

These minutes are not intended to be a verbatim transcript. Audiotapes of this meeting are on file in the City Clerk's Office.

ROLL CALL:

Present: McGinn, Mosby, Brinkerhoff-Riley, Friend, Lindsey, Adams, O'Daniel, Weaver, Robinson

There being nine (9) members present and zero (0) members absent and nine (9) members representing a quorum, I hereby declare this session of the Common Council officially open.

PLEDGE OF ALLEGIANCE

This evening the pledge of allegiance is led by Mayor Winnecke

Fellow Councilmen and those in the audience, welcome to the August 12, 2013 meeting of the Common Council.

COUNCIL ATTORNEY

This evening Scott Danks is City Council Attorney.

SERGEANT AT ARMS

This evening Officer Clinton is Sergeant at Arms.

READING AND AMENDMENT OF MINUTES

President Robinson: Is there a motion to approve the minutes of the July 22, 2013 meeting of the Common Council as written?

Councilwoman Mosby moved and Councilwoman Brinkerhoff-Riley seconded the motion to approve the minutes of the meeting of the Common Council held July 22, 2013 as written. Voice vote. So ordered.

REPORTS AND COMMUNICATIONS

IN YOUR AUGUST 9TH PACKET:

- *City Council Meeting Agenda for August 12, 2013.
- *Committee Meeting Schedule.
- *Area Plan Commission Meeting Minutes from July 11, 2013 and Staff Field Reports.
- *Rezoning Ordinance R-2013-16.
- *Ordinances G-2013-14 and F-2013-12.
- *Resolutions C-2013-18 and C-2013-19.
- *A letter from Richard Hancock of the United State Parcel Service.
- *Evansville Redevelopment Commission Meeting Minutes dated July 2, 2013.
- *City Financial Report dated June, 2013.

EMAILED MATERIAL:

- *City Council Meeting Minutes dated July 22, 2013.

ON YOUR DESK THIS EVENING:

- *City/County Joint Budget Hearings Proposal for 2014.

President Robinson: Is there a motion to receive, file and make these reports and communications a part of the minutes of the meeting?

Councilwoman Mosby moved and Councilman Friend seconded the motion to receive, file and make these reports and communications a part of the minutes of the meeting. Voice vote. So ordered.

CONSENT AGENDA

FIRST READING OF ORDINANCES OR RESOLUTIONS

ORDINANCE G-2013-14 FINANCE FRIEND

An Ordinance of the Evansville Common Council authorizing the City of Evansville, Indiana, to issue one or more series of its "Economic Development Revenue Bonds, Series 2013 (Downtown Convention Hotel Project)", in an agreement principal amount not to exceed \$38,500,000, and approving and authorizing other actions in respect thereto

ORDINANCE F-2013-12 FINANCE FRIEND

An Ordinance of the Common Council of the City of Evansville authorizing transfers of appropriations, additional appropriations and repeal and re-appropriation of funds for various city funds

RESOLUTION C-2013-18 FINANCE FRIEND

A Resolution of the Common Council of the City of Evansville, Indiana approving the amendment of the Evansville Professional Sports and Convention Development Area

RESOLUTION C-2013-19 A.S.D. BRINKERHOFF RILEY, ROBINSON

A Resolution of the Common Council of Evansville, Indiana, renewing and extending the term of the Evansville Urban Enterprise Zone.

ORDINANCE R-2013-16 TO APC C-4 TO C-2

An Ordinance to Rezone Certain Real Estate in the City of Evansville, State of Indiana, more commonly known as 1012 S.E. Second Street

Petitioner: Evansville Brownfields Corp.

Owners: Same

Representative: Carolyn Rusk

District: Connie Robinson, Ward 4

President Robinson: Is there a motion to adopt the Consent Agenda as written?

Councilman O'Daniel moved and Councilman Weaver seconded the motion to adopt the Consent Agenda as written. Voice vote. So ordered.

CONSENT AGENDA

SECOND READING OF ZONING ORDINANCES

ORDINANCE R-2013-9 FROM APC C-2 w/U&D to C-4 w/U&D

An Ordinance to Rezone Certain Real Estate in the City of Evansville, State of Indiana, more commonly known as 716 N. Weinbach Avenue

Petitioner: Mark Daily

Owners: Same

Representative: Same

District: Stephanie Brinkerhoff Riley, Ward 3

This petition comes forward with a recommendation for approval from the Area Plan Commission, having 8 affirmative votes.

ORDINANCE R-2013-10 FROM APC

R-4 TO C-4

An Ordinance to Rezone Certain Real Estate in the City of Evansville, State of Indiana, more commonly known as 1223 E. Riverside Drive

Petitioner: Americas Car Mart, Inc.
Owners: Same
Representative: Bret Sermersheim of Morley and Associates, Inc.
District: Connie Robinson, Ward 4

This petition comes forward with a recommendation for approval from the Area Plan Commission, having 8 affirmative votes.

ORDINANCE R-2013-11 FROM APC

C-4 TO R-2

An Ordinance to Rezone Certain Real Estate in the City of Evansville, State of Indiana, more commonly known as 3101 Broadway Avenue

Petitioner: Wayne A. Ellis
Owners: Same
Representative: Krista Lockyear, Attorney
District: Al Lindsey, Ward 6

This petition comes forward with a recommendation for approval from the Area Plan Commission, having 7 affirmative votes and 1 abstention.

ORDINANCE R-2013-15 FROM APC

C-4 TO C-3

An Ordinance to Rezone Certain Real Estate in the City of Evansville, State of Indiana, more commonly known as 202 S.E. Sixth Street

Petitioner: City of Evansville/Redevelopment Commission
Owners: Same
Representative: Philip Hooper
District: Connie Robinson, Ward 4

This petition comes forward with a recommendation for approval from the Area Plan Commission, having 8 affirmative votes.

President Robinson: Can I have a motion to adopt the Consent Agenda Second Reading?

Councilwoman Mosby moved and Councilman Adams seconded the motion to adopt the Consent Agenda Second Reading and to accept the Area Plan Commission report. Voice vote. So ordered.

Council now stands at Third Reading of Zoning Ordinances, which is final action.

REGULAR AGENDA

THIRD READING OF ZONING ORDINANCES

ORDINANCE R-2013-9 FROM APC

C-2 w/U&D to C-4 w/U&D

An Ordinance to Rezone Certain Real Estate in the City of Evansville, State of Indiana, more commonly known as 716 N. Weinbach Avenue

Petitioner: Mark Daily

President Robinson: Come to the podium please. State your name and address

Mark Daily: My name is Mark Daily, 716 N. Weinbach

President Robinson: Okay. Okay Mr. Daily, tell us a little bit about your zoning.

Mark Daily: I have a building that I bought. It is zoned C-2 and I want to take it to C-4 with Use and Development so just another...just to be able to put my sign company in.

President Robinson: Okay. Have you talked to Councilwoman Riley?

Councilwoman Brinkerhoff-Riley: Yes, actually, and this...I guess what we're looking at right now is before they got into the building. They've really done a great job of making the building look great. It's a sign...you guys make signs and so your Use & Development has to do with your ability to produce those signs inside, like with the inks...

Mark Daily: That is right. Really we have printers that print banners and yard signs and things like that is what we do. We don't make electrical signs. I cannot do stuff like that.

Councilwoman Brinkerhoff-Riley: Right, I mean, but basically, I mean you've got machinery that apparently requires Use & Development but it's not releasing toxic substances into the environment, and it really looks good because you've grabbed that billboard that's right there that now points down to your business. So I was really impressed with what you've done with the business and it's a great little locally owned and operated business. I really ask everyone to support it.

Mark Daily: And I will tell you I will do more to the facility if I get approved. I kind of jumped into without...

Councilman O'Daniel: And my thought is that that building has been vacant for a while too, hasn't it? So...or it's actually had a couple of different tenants but largely vacant for a while, hasn't it?

Mark Daily: Yeah I think there was a mattress company there, my understanding, or something like that.

Councilwoman Brinkerhoff-Riley: They sold furniture. I live right by here and it's just never...it's been a long time since anything really thrived at that location so this is exciting and it helps facilitate, you know, the commercialization of North Weinbach which is, you know what's happening on its own so...

President Robinson: Are there any questions from any other Councilmembers? Is there anyone in the audience that would like to speak for or against this?

Can I have a motion to adopt?

Councilwoman Brinkerhoff-Riley moved and Councilman O'Daniel seconded the motion to adopt Ordinance R-2013-9 and call the roll

ROLL CALL

Ayes: McGinn, Mosby, Brinkerhoff-Riley, Friend, Lindsey, Adams, O'Daniel, Weaver, Robinson

President Robinson: There being nine (9) Ayes and zero (0) Nays, Ordinance R-2013-9 is hereby declared adopted.

Thank you sir.

Mark Daily: Thank you all very much, thank you.

REGULAR AGENDA

THIRD READING OF ZONING ORDINANCES

ORDINANCE R-2013-10 FROM APC

R-4 TO C-4

An Ordinance to Rezone Certain Real Estate in the City of Evansville, State of Indiana, more commonly known as 1223 E. Riverside Drive

Petitioner: Americas Car Mart, Inc.

Owners: Same

Bret Sermersheim: My name is Bret Sermersheim with Morley & Associates. I'm representing America's Car Mart. They're wanting to rezone this, or the need to rezone this. There is a small triangular portion behind their property that they're wanting to make as their additional parking and it needs to be paved.. In order to be paved it has to be rezoned to C-4.

The parent tract, or the portion in front of it, was rezoned to C-4 in 1993. I'm not really sure why this small, triangular area got...wasn't part of it, and they're just trying to finish it up.

President Robinson: They're just doing some housekeeping. They had gotten in touch with me about this.

Is there any Councilmembers that want to speak for or against it? Anyone in the audience that want to speak for or against this?

Is there a motion to adopt Ordinance R-2013-10 and call the roll?

Councilwoman Mosby moved and Councilwoman Brinkerhoff-Riley seconded the motion to adopt Ordinance R-2013-10 and call the roll.

ROLL CALL

Ayes: McGinn, Mosby, Brinkerhoff-Riley, Friend, Lindsey, Adams, O'Daniel, Weaver, Robinson

President Robinson: There being nine (9) Ayes and zero (0) Nays, Ordinance R-2013-10 is hereby declared adopted.

REGULAR AGENDA

THIRD READING OF ZONING ORDINANCES

ORDINANCE R-2013-11 FROM APC

C-4 TO R-2

An Ordinance to Rezone Certain Real Estate in the City of Evansville, State of Indiana, more commonly known as 3101 Broadway Avenue

Petitioner: Wayne A. Ellis

Owners: Same

Elissa Hewins: Good evening. Elissa Hewins with Rudolph, Fine, Porter and Johnson. I represent Wayne Ellis.

The site is currently zoned C-4; it was zoned so in the 50s and the current use is a duplex so it's really...we want to have it zoned to R-4 to be...or to R-2 to have it be just consistent with the current use. A lot of the surrounding property has the same characteristics so I mean we are really just making it easier for him to obtain financing in the event that he desires to sell the property.

I'm happy to take any questions that you have.

President Robinson: Councilman Lindsey, this is in your ward. Do you have any questions or concern?

Councilman Lindsey: *(Inaudible – Off Mic)*

President Robinson: Okay. Any questions?

Councilman Adams: Again, you are going from C-4 to R-2? Is that correct?

Elissa Hewins: Correct.

Councilman Adams: Thank you.

President Robinson: Is there anyone in the audience?

Can I have a motion to adopt Ordinance R-2013-11?

Councilman McGinn moved and Councilman Adams seconded the motion to adopt Ordinance R-2013-11 and call the roll.

ROLL CALL

Ayes: McGinn, Mosby, Brinkerhoff-Riley, Friend, Lindsey, Adams, O'Daniel, Weaver, Robinson

President Robinson: There being nine (9) Ayes and zero (0) Nays, Ordinance R-2013-11 is hereby declared adopted.

Thank you.

Elissa Hewins: Thank you.

REGULAR AGENDA

THIRD READING OF ZONING ORDINANCES

ORDINANCE R-2013-15 FROM APC

C-4 TO C-3

An Ordinance to Rezone Certain Real Estate in the City of Evansville, State of Indiana, more commonly known as 202 S.E. Sixth Street

Petitioner: City of Evansville/Redevelopment Commission

Owners: Same

President Robinson: Okay, is someone from the Redevelopment Commission, or is that Phil?

DMD Director Philip Hooper: Hello again. Philip Hooper, Executive Director of the Department of Metropolitan Development.

This is to rezone the hotel site, the entire block, from C-4 to C-3. It's been approved by the Area Plan Commission. This rezoning is required for any hotel/mixed use development to occur on the site so it has nothing to do with the particulars of the development proposal, no other use, and that's what's before you.

I'll entertain any questions that you may have.

Councilman Adams: It's being rezoned from what to what?

DMD Director Philip Hooper: From C-4 to C-3.

Councilman Adams: Okay.

Councilwoman Brinkerhoff-Riley: What's the difference between C-4 and C-3?

DMD Director Philip Hooper: C-4 does not allow for residential and has a height limitation as well so this will allow the height of the hotel and it will allow the apartment/mixed use nature of the development proposal.

President Robinson: Maybe we can bring this to your attention, Mr. Hooper, usually when it's someone's ward, you get in contact with them and ask them if you can put their name on there. I never heard from you or the Redevelopment Commission and it is in the Fourth Ward.

DMD Director Philip Hooper: My apologies for the oversight.

President Robinson: Thank you. Is there any questions from anyone on Council? Is there any questions from anyone in the audience?

Can I have a motion to adopt?

Councilwoman Mosby moved Councilman Weaver seconded the motion to adopt Ordinance R-2013-15 and call the roll.

Councilman O'Daniel: *(Spoken while casting his vote)* Aye but I just want to make sure that this by no means predetermines what the results would be for a hotel or something like that. It is a downzoning and I think it's appropriate at this time.

DMD Director Philip Hooper: Correct.

ROLL CALL

Ayes: McGinn, Mosby, Brinkerhoff-Riley, Friend, Lindsey, Adams, O'Daniel, Weaver, Robinson

President Robinson: There being nine (9) Ayes and zero (0) Nays, Ordinance R-2013-15 is hereby declared adopted.

Thank you.

DMD Director Philip Hooper: Thank you.

CONSENT AGENDA

SECOND READING OF ORDINANCES AND RESOLUTIONS

RESOLUTION C-2013-14 **FINANCE** **FRIEND**

A Resolution of the Common Council of the City of Evansville Declaring and Industrial Recovery Site for 1000 Grove Street, Evansville, IN 47712

RESOLUTION C-2013-15 **PUBLIC WORKS (O'DANIEL)** **WEAVER**

A Resolution renaming a certain section of street/roadway Don Mattingly Way

RESOLUTION C-2013-17 **A.S.D. (BRINKERHOFF-RILEY)** **MOSBY**

A Resolution of the City Council of Evansville, Indiana regarding transfer or exchange of property with Vanderburgh County (DMD)

COMMITTEE REPORTS:

FINANCE COMMITTEE: **CHAIRMAN FRIEND**

Councilman Friend: Madam President, your Finance Committee met this evening to hear Resolution C-2013-14 and it comes forward with a do-pass recommendation.

PUBLIC WORKS COMMITTEE: **CHAIRMAN O'DANIEL**

Councilman O'Daniel: Your Honor, we opened the Public Works Committee and we've tabled the issue. We tabled that matter until the 26th.

A.S.D. COMMITTEE: **CHAIRWOMAN BRINKERHOFF-RILEY**

Chairwoman Riley: Madam President, your A.S.D. Committee met this evening to hear Resolution C-2013-17 and it comes forward with a do-pass recommendation.

President Robinson: Thank you. Can I have a motion to adopt the Committee Reports and move these Resolutions to Third Reading?

Councilwoman Mosby moved and Councilman Weaver seconded the motion to adopt the Committee Reports and move these Resolutions to Third Reading. Voice vote. So ordered.

REGULAR AGENDA

THIRD READING OF ORDINANCES AND RESOLUTIONS

RESOLUTION C-2013-14

FINANCE

FRIEND

A Resolution of the Common Council of the City of Evansville Declaring and Industrial Recovery Site for 1000 Grove Street, Evansville, IN 47712

President Robinson: Is there a motion to adopt Resolution C-2013-14 and call the roll?

Councilman O'Daniel moved and Councilman Adams seconded the motion to adopt Resolution C-2013-14 and call the roll.

ROLL CALL

Ayes: McGinn, Mosby, Brinkerhoff-Riley, Friend, Lindsey, Adams, O'Daniel, Weaver, Robinson

President Robinson: There being nine (9) Ayes and zero (0) Nays, Resolution C-2013-14 is hereby declared adopted.

REGULAR AGENDA

THIRD READING OF ORDINANCES AND RESOLUTIONS

RESOLUTION C-2013-17 A.S.D. (BRINKERHOFF-RILEY)

MOSBY

A Resolution of the City Council of Evansville, Indiana regarding transfer or exchange of property with Vanderburgh County (DMD)

President Robinson: I need a motion to adopt Resolution C-2013-17 and call the roll.

Councilwoman Mosby moved and Councilman O'Daniel seconded the motion to adopt Resolution C-2013-17 and call the roll.

ROLL CALL

Ayes: McGinn, Mosby, Brinkerhoff-Riley, Friend, Lindsey, Adams, O'Daniel, Weaver, Robinson

President Robinson: There being nine (9) Ayes and zero (0) Nays, Resolution C-2013-17 is hereby declared adopted.

MISCELLANEOUS BUSINESS

President Robinson: There will not be a City Council Meeting next Monday, August 19, 2013. The next meeting of the Common Council will be Monday, August 26, 2013. Committee meetings will begin at 5:10 p.m. on August 26, 2013

This is the hour that we have waited for. If there's anyone that wants to speak, please sign and paper and give it to the City Clerk...on the hotel.

Next, we'll have the...

Unidentified Speaker: Where are the papers?

President Robinson: They are against the wall back there.

Councilman Adams: I love *A Tale of Two Cities*..."A day like all days..."

President Robinson: I will allow comments after HCW gives their presentation.

Yes?

Unidentified Speaker: Madam President, since I was here for a previous meeting and I already sent you a card, can you just use that one please?

President Robinson: Yes, I will. Thank you.

Okay, this is what...okay...who did this? Yeah...okay, we're going try to keep comments afterwards to three to five minutes please.

Mr. Mayor, I guess...did you want to come forward please.

Mayor Winnecke: Madam President, Members of the Council, thanks for the opportunity to present tonight. We are here to present the hotel deal and explain how it will be funded, how the City of Evansville will recoup its investment, and answer any questions that you may have.

Since September 2010, the City of Evansville has attempted to build and new convention hotel on three separate occasions. When we came into office a little over a year ago, as you know, we reset the process. We started out by initiating a market study. That market analysis said that over time, our optimal room goal is 435 committable rooms to maximize the use of our Centre in downtown Evansville. That study went on to say that over time, two to three hotels could accommodate that need, however, the first hotel should be large enough to induce group demand, which is why we are proposing a 253-room hotel as part of this project.

As you know, we sent out an RFQ; five qualified developers responded. We asked three to respond to an RFP. We selected HCW out of Branson, Missouri as our preferred developer and over the last several months, we have negotiated a Development Agreement, which was finalized last week by a special meeting...in the special meeting of the Redevelopment Commission.

We've had extensive, lengthy talks to achieve what I think is a successful Development Agreement on behalf of the City. We've have productive meetings with many members of this Council, with local labor leaders, and with representatives from the MBE/WBE community.

The original HCW proposal has been negotiated and has been revised to reflect the deal that the City is now contemplating. The project will include improved project management and oversight. We will have monthly financial reporting to the ERC, to City Council, and to our administration as a result of previous negotiations with this body.

The hotel...convention hotel will create 800+ jobs on the construction side and attract significant investment to the downtown and another 200+ permanent jobs once the hotel is open.

You'll hear a lot of numbers tonight, and that's important, so we are going to talk about how much money the public is going to spend, how much we are proposing anyway, and a...but if nothings else, I'd like for you to remember just a few numbers I think, to really help keep it in perspective.

The total project is about 74 million dollars, of which 37.5 million dollars represents public investment, and what that means on an annual basis, the City of Evansville will be responsible for an annual bond payment, over twenty-five years, of about 2.6 million dollars. Keep in mind that our Downtown TIF, one of the funding sources for this project, produces a little over 700 million dollars a year. Clearly, the City Administration feels that we have the financial means to complete this project, and others like it, like the med school, to benefit our entire city.

We also announced in the last several days that we'll be conducting a series of meetings around the City. We think they have been well publicized; we'll continue to publicize those on the screen before you. We want to hear what the public has to say now that we have a final Development Agreement reached.

Next on the docket is Nick Cirignano from our City Attorney's office. Nick was the attorney who really was mainly responsible for negotiating the Development Agreement on behalf of the City. He'll hit the highlights of the 50-page document.

Councilman O'Daniel: Mayor, I think you said the TIF produces 700 million dollars...

Mayor Winnecke: I'm sorry. Seven million. I'm sorry. Thank you.

Councilman O'Daniel: Seven million dollars.

Mayor Winnecke: Thank you...wishful thinking.

Councilman Adams: A separate hotel TIF...how much is that going to produce?

Mayor Winnecke: The bi-furcated TIF?

Adams: Yeah.

Mayor Winnecke: These...I don't know off the top of my head. These guys will know that.

Assistant City Attorney Nick Cirignano: Nick Cirignano here on behalf of the City Attorney's office Madam President, Council.

To answer that question, I think Ed Hafer can speak to this better but we think that separate TIF would be about \$300,000 a year but there are other people here that can speak to that better.

As the Mayor indicated, I'm here to give a brief overview of the Development Agreement that we negotiated with HCW. In the ensuing weeks, in the event any of you would like further detail, I'd be happy to discuss any particular points with you.

You may recall back in April that we approved a Pre-Development Agreement which essentially set forth a lot of the main points of what we thought this project would look like, and it allowed us to move into a phase where designs moved further along and we were able to start negotiating a final Development Agreement.

The deal that was originally put on the table, or put in front of you, through the Pre-Development Agreement is essentially...it looks much the same as what we have ultimately negotiated. One

big change, however, is if you look back at your Pre-Development Agreement documents, the anticipated investment by the City in the hotel was about 20 million dollars, or was 20 million dollars, and the anticipated investment by HCW in the hotel was also 20 million dollars. One material change has been, as designs have developed, it's anticipated that HCW's investment would be closer...somewhere between 23 and 24 million dollars. So their investment has gone up in this hotel and the City's has stayed the same throughout the negotiations.

Regarding the project funding, there are two main components to think about. We have the hotel and then we also have what we refer to as the ancillary project components, and these ancillary projects include the sky bridges between facilities, a parking garage, a retail building, which will serve as a connector building sitting behind the Ford Center, connecting the various sky walks, Centre renovations and public infrastructure and streetscaping improvements. The City is committed to spending 17.5 million dollars on what we call the ancillary components of the project and according to the City, there is the burden of funding any cost overruns on that portion or seeking costs savings necessary to bring that portion of the project under budget.

As I indicated, the City will contribute 20 million dollars with respect to the hotel; however, the developer bears the burden of any cost overruns on the hotel. The way the deal is structured, it's dollar for dollar; HCW's money and the City's money, dollar for dollar up till the City puts in 20 million dollars. At that point, it would all be HCW's money to go into the hotel project to get it completed.

Additionally, in addition to the anticipated investment by HCW on the hotel, they've committed to build approximately a 78-unit residential apartment complex which at the point is anticipated to be approximately 15 million dollars in investment in our downtown.

As you have time to look through the Development Agreement, you'll see that the project description is attached to the agreement, and as I indicated earlier, that really hasn't changed much since we first started talking about this deal.

Regarding ownership, to be clear, the City will transfer the real estate for the apartments and for the hotel to HCW and they would own that property in fee simple. The City would retain ownership of all the ancillary project components.

During the development of the project, the developer shall have responsibility for engaging all contractors necessary to build the hotel, all the ancillary project components, and the apartments. So in other words, the City will not contract with any developers on the pro...or any contractors rather, I'm sorry, on the project, and all contractors on the project are required to be fully bonded.

Regarding City oversight, the City has design approval on all...with respect to the hotel and the ancillary project components. As for the apartments, of which the City will have no ownership, we have built into the agreement that they need to be built to certain minimum quality standards to insure that they're high quality apartments.

As far as financial oversight, the agreement requires weekly meetings with City representatives and it places all City funds into a trust account and the funds cannot be withdrawn unless a request is made and approved by the City and it complies with the design and budget documents, which would also be approved by the City prior to any requests.

HCW is also committed to project...substantial project labor commitments. The agreement provides that the developer shall insure that its General Contractor shows good faith efforts to employ local contractors on the hotel and ancillary projects. The agreement requires that the developer diligently, in good faith, use commercially reasonable efforts to achieve MBE and WBE participation at the 14% level for minority business enterprises and 7% for women owned business enterprises.

The agreement also provides that the developer shall require its General Contractor to enter into a project labor agreement with local construction employment agents, including the Southwestern Indiana Building & Construction Trades Council in the affiliated building and construction trades in connection with the hotel and ancillary project components. It's my understanding that they are currently negotiating the PLA with local labor.

As far as the timeline, the agreement provides that we'll proceed as soon as reasonably practicable, however, it anticipates that the property, the hotel real estate rather, and the apartment real estate transfer to HCW no later than March 1st of 2014, and that the hotel would be completed within 18 months of that transfer. The agreement anticipates that the apartments would be completed within 24 months of the transfer of the property, and the difference in this timeline is we would like to be able to focus our energies, if necessary, on the hotel portion to insure that it opens promptly.

Finally, with respect to the public's concern about the City getting the benefit of its bargain, we all want to see a nice hotel down there and one that generates...is an economic driver for years to come, and one way that we are insuring that is the property on which the hotel will sit will be transferred subject to protective conveyance, which will require that the hotel sitting on the site be operated as contemplated by the agreement as a first-class convention-style hotel for 25 years after its opening.

And with that, I'll open up to any questions and as I said, I'm available anytime anyone wants to speak further.

Councilman O'Daniel: Does the Development Agreement provide that HCW would develop the ancillary projects as well?

Assistant City Attorney Nick Cirignano: Yes. As I indicated, the City will not enter into any contracts and HCW will engage its General Contractor to build the parking garage and all the other ancillary components.

Councilman Adams: Will we be getting a copy of the project budget?

Assistant City Attorney Nick Cirignano: Yes. Well, there's the overall project budget, which is an exhibit to the agreement. The overall project budget is an exhibit to the agreement and then as more specified, exacting budgets are available, I'm sure they will be made available to you. And we have to...the City has to approve those final budgets.

Councilman Adams: When will that be available?

Assistant City Attorney Nick Cirignano: I think maybe HCW folks...things need to go out for bid and progress a little bit further. I think they can probably speak to that.

Councilman Adams: Well I was just curious. You said you had a project budget in your outline of your talk.

Assistant City Attorney Nick Cirignano: And that's the overall. In terms of who...the responsibility of the parties...however, specific line-item time budgets get developed as the plans and things go out for bid and so forth.

Councilman Adams: Do you have that project budget all ready?

Assistant City Attorney Nick Cirignano: Not a specific, line-item budget. But through the work that's been done so far...

Councilman Adams: Do you have a general project budget?

Assistant City Attorney Nick Cirignano: Yeah, I think we do.

Councilman Adams: Will you give us a copy of that?

Assistant City Attorney Nick Cirignano: We have the general project budget attached.

Councilman Adams: Could you give us a copy of that?

Assistant City Attorney Nick Cirignano: Yeah, absolutely.

Councilman Adams: Thank you. I think we'd all like that.

Assistant City Attorney Nick Cirignano: And if you haven't gotten a copy of the agreement, obviously, you can have that.

Councilman Adams: Thank you. I appreciate it.

Councilman Friend: *(Off Mic)* Do we still have 10% inside the overhead in profit in this deal?
(Inaudible) Do we still have a 5% *(Inaudible)*

Assistant City Attorney Nick Cirignano: Well I think what will be in the budget will be...the line-item budget will be a typical contingency, which would be...which we would approve, but it would be 5% to 7%. I think they can speak...HCW can speak to that specifically.

Councilman Friend: *(Inaudible)*

Assistant City Attorney Nick Cirignano: I'm not sure what you're looking at.

Councilman Friend: *(Off Mic)* Well these numbers, basically, the numbers might be subject to change but I'm asking about *(Inaudible)*. You've thrown that back up into the overall cost *(Inaudible)*. And the other thing is you've got a developer's fee, roughly about...based on this is *(Inaudible)*.

Councilman Friend: *(Off Mic) continued* ...the numbers will change a little bit...6%, and I think in the aggregate it's the same thing you gave me today and that number did not change even though the project *(Inaudible)*.

When I add all those up today, I was going to ask you, *(Inaudible)*, that comes up to about almost ten...about...just under 10 million dollars what this project's *(Inaudible)*. I just want everybody to know that.

Unidentified Speaker: *(Off Mic)* That's not true.

Councilman Friend: Well I'm just asking. I mean I looked at the numbers today. *(Inaudible)* want you here. I need to ask some of these questions.

But go ahead. You were going ask something. *(Inaudible)* Go ahead.

Assistant City Attorney Nick Cirignano: I guess with that, if we are going to get into the financial aspects of the deal, I'll turn it over to Ed Hafer.

Councilwoman Brinkerhoff-Riley: I have...

Assistant City Attorney Nick Cirignano: I'm sorry...sorry about that.

Councilwoman Brinkerhoff-Riley: I don't know if I want to go that deep yet. Hold on a second because my initial questions are going be my reading of it. I know their financial stuff is probably beyond my comprehension.

What I wondered...what I wanted to know was that the apartment issue, though you don't have to close on those apartments until I think June of next year and that can be extended indefinitely. There doesn't appear to be a requirement in the project, in the contract that requires HCW to actually build apartments.

Assistant City Attorney Nick Cirignano: Well I mean if they...you're right, there are certain contingencies. If they couldn't get financing for it, they wouldn't have to build them.

Councilwoman Brinkerhoff-Riley: But I'm just saying there is not a contractual obligation. They have some ability to control whether apartments actually end up there, which is some of why the closing is pushed back as far as it is so that they can get a better understanding of financing and need or something like that.

Assistant City Attorney Nick Cirignano: Well I mean...but they would...they'd be required to make commercially reasonable efforts to obtain financing to build the apartments certainly. But you're right. In a deal like this, there is always financing contingencies and similar type contingencies.

Councilwoman Brinkerhoff-Riley: And then with the hotel, the hotel is set to close in March but that can be extended as well. And I think...is that there because right now we're at a...my understanding is that we've developed sort of schematics or a rough draft of a hotel plan that's been submitted to Hilton. They have responded with questions that have...I think HCW has responded with answers so it seems to me that we are not quite to a final plan for a hotel and

then, ultimately, that has to be approved by Hilton so when you talk about a closing in March, this is a several month process from now to get to a plan that's approved by Hilton. Is that true?

HCW CEO Rick Huffman: I'll take a stab at answering those. Rich Huffman, HCW. The...a lot of what you said...true of what's going on but the plans have been sent to Hilton. They've made comments on the plans. The changes to the plans have been sent back to Hilton as of last Friday. There were only three items pending.

Councilwoman Brinkerhoff-Riley: Yeah, and I don't mean to imply at all that they won't be. What I'm trying to do...get a *(Inaudible)*. I'm just trying to understand that there's a timeline. Some of what we talk about when we want to break ground this year is somewhat symbolic. We could do some basic things but really, until Hilton gives the final approval on that plan, we really can't build a hotel.

HCW CEO Rick Huffman: Well they...they've pretty much given approval. We are asking for a few...three things not to do. We'll have answers by next week.

Councilwoman Brinkerhoff-Riley: You mean like a variance off of their typical requirements to have a Doubletree.

HCW CEO Rick Huffman: Correct. Waivers they call them. So anyway the timeline is to...the architect is to have construction documents, which they're doing now. We are past schematic now; we are moving into construction documents. They are scheduled right now for November 15th to issue those construction documents. Those construction documents would probably go through about a week of review. Then they would go to bid and bidding would hopefully be completed in December with award and there would be, hopefully, we are hoping for an early package, which is called a footing and foundation package, to where we could actually break ground by end of December with the footings and foundations, and then move into full construction some time in January, February, weather permitting.

The reason that the apartment piece is...both pieces have to close by March 1. Completion dates, the apartment piece, we negotiated with the City to put that back just a little bit, just in case. Our number one focus, our number one goal is to get the hotel open along with the retail piece and the streets done, then the garage. That's our focus. The apartments, we pushed off just a little bit because we can wait a little bit, so if we need to delay the interiors of the building in order to make sure the hotel opens, that's why we put a little extra time on there. We've done this a lot. I think probably...if the weather is pretty good, we should be able to get through the whole project in the 18 month period of time. It's our plan at least.

But we are already in the midst of financing. In fact while we are here today, we had two different meetings on that, so that's progressing also on there.

I think an earlier question I heard from over here...it might have been...I think it was about the budgets and the budgets...we've hired Killian Construction out of Springfield, Missouri, they submitted with us on the project and the GC and we hired them months ago to do what's called Pre-Construction Services. *(Inaudible)* those Pre-Construction Services, they've taken the plans that we have and they have done a detailed construction budget of the project so we do have the detailed construction numbers...estimated. Obviously those numbers can change with commodity pricing; all sorts of different things...labor pricing. But we are usually pretty good

with hitting them pretty close and those get formalized in December with the bid, to answer a question from earlier.

Councilwoman Brinkerhoff-Riley: In terms of your being responsible for cost overruns, there are still places where we...our expenses could go up. Specifically where...potentially where you've requested these waivers, if we don't get those, could those drive up our costs in terms of the hotel?

HCW CEO Rick Huffman: The waivers I'm talking about are if the hotel is running below a certain occupancy, we'd like a waiver to not have to staff a full-time bellman at the front door. Those types of waivers. That's the type of waivers I'm talking about, nothing to do with construction. Operating waivers.

Councilwoman Brinkerhoff-Riley: But this process, what I understand is that because we retain the final design approval that could affect our cost related to that final plan that Hilton approves, so there could be some adjustment to the cost...

HCW CEO Rick Huffman: Absolutely.

Councilwoman Brinkerhoff-Riley:...but we would have...we'd be making it, we'd be making the decision to do it because we'd be approving that more expensive design.

HCW CEO Rick Huffman: Absolutely.

Councilwoman Brinkerhoff-Riley: If it turns out that Hilton wants a specific something...

HCW CEO Rick Huffman: They...we've done several of these and we are pretty sure we'll be okay with Hilton. The thing would be if the City Engineering Department wanted a certain streetlight or something changed, or if we needed to change, you know, something on the parking garage to accommodate, those are changes that absolutely can happen. The schematics are right now ERCs hands and we're...that's in the process right now. We're asking for comment on those plans from staff, saying tell us what you don't like and do like. We've been doing that with staff for about three months, having that on-going dialog.

Councilwoman Brinkerhoff-Riley: Okay. I think I just have one more before somebody else jumps in. One of the things that I know, I see from our side, what we've done to try and control quality, projecting out 25 years. I mean as a community, we don't to have a building that has to be torn down in 25 years, you know, because it's gone the way of the Executive Inn. One of the things that the contract doesn't allow you sell the property for five years but it does allow you to transfer the property to any entity that you control. And I was just...and I know that for lots of reasons, you know, you would have formed a corporation in Illinois to do this project, so that's not an issue but when...how many entities when we talk about HCW, how many entities are out there that are under your control?

HCW CEO Rick Huffman: Two, three hundred. A lot.

Councilwoman Brinkerhoff-Riley: Okay. So now you see a little of my concern. I just got a little bit of concern...

HCW CEO Rick Huffman: Yeah, we own a lot of properties all over the United States.

Councilwoman Brinkerhoff-Riley: And so you've got a lot of entities that potentially... although you can't sell this property for five years, you could transfer it within that five.

HCW CEO Rick Huffman: We...the contract right now allows for a transfer to another related entity.

Councilwoman Brinkerhoff-Riley: What would you envision a reason for that being in the contract? What type of situation would come up where you would need to transfer it?

HCW CEO Rick Huffman: Well, in the past I can tell you we've done a lot of transfers due to estate planning. We have transferred into trusts in different things. There's going to be, on this project, about five partners in it that have been partners with me for years and over the years we've...things change and we have personal changes that we need to make and so we do that which is not really uncommon in any business.

Councilwoman Brinkerhoff-Riley: I just...I hadn't really thought of an estate...

HCW CEO Rick Huffman: Sure. But more so in that, unless we were selling it to a third party, you know, which that would have to be after five years. But as far as quality construction, the construction of the hotel is planned to be post-tension concrete with drilled piers on the site. You are in a Seismic Zone 3 area here and so it has to be built to those seismic zones for earthquakes. It's also steel studs on it...within it, and it will be built in a very quality way like...and it will meet your code, your IBC standards also on that.

Councilwoman Brinkerhoff-Riley: Okay. Somebody? Anybody else.

Councilwoman Mosby: I have a question. You claim that you're in negotiations on the PLA. What is your timeframe to come to an agreement on that?

HCW CEO Rick Huffman: We have a draft that is completed right now but it was completed by Husch, Blackwell, Sanders for the contractor. That draft is actually where it needs to be; it's on my desk and I need to review it.

Councilwoman Mosby: Okay.

HCW CEO Rick Huffman: I've been traveling a lot and I have not reviewed it but it's been done for probably about 10 days and once that's reviewed, that needs to...they need to sit down with labor work and it out.

Councilwoman Mosby: It's very, very important that...

HCW CEO Rick Huffman: Oh, absolutely, absolutely.

Councilwoman Mosby:...this project is community driven with local labor, local people getting jobs. We need that.

HCW CEO Rick Huffman: Absolutely. Jobs are obviously a big part of this project. Not only the construction of the project, because it's a couple of years-worth of construction but...

Councilwoman Mosby: Yes

HCW CEO Rick Huffman:... after that

Councilwoman Mosby: Absolutely.

HCW CEO Rick Huffman: And the ancillary business that comes with the convention. That's definitely the focus on there and that agreement should be, I hope, worked out here very...

Councilwoman Brinkerhoff-Riley: Who did you say had prepared the draft that's on your desk?

HCW CEO Rick Huffman: Husch, Blackwell, Sanders. It's a law firm.

Councilwoman Brinkerhoff-Riley: That's your law firm. *(Inaudible)*

HCW CEO Rick Huffman: Yes. Well it's actually not ours. It's the contractor's law firm.

Councilwoman Brinkerhoff-Riley: Okay, so you're in the process of approving a proposal that will go to organized labor locally.

HCW CEO Rick Huffman: That is correct.

President Robinson: The question I have for you, you said that you were looking at getting a waiver if you operate below occupancy. We keep hearing about 200, after the construction, 200 jobs. It'll probably be 200 jobs and you mentioned just the bellman. Now if you're going operate below occupancy rate, what other jobs are we talking about eliminating and would it be less than 200 jobs.

HCW CEO Rick Huffman: It...Councilman Robinson, the *(Inaudible)* is only one specific thing in labor, and it's the only one I know of actually in labor, cause it's a *(Inaudible)*. The other things, for example, we asked one handicapped restroom in the pool area versus a men's and women's restroom in the pool area cause the first door out of the pool area is a men's and women's restroom so it didn't make sense to build...double-up the cost on that, so we are doing a unisex restroom inside of the actual pool area. Both those are the type of waivers because they have requirements and one of the requirements is a men's and women's restroom in the pool area.

President Robinson: So do you think that figure of 200 or 200 jobs after completion, is that full-time jobs or...

HCW CEO Rick Huffman: That's full and part-time. And actually it'll be more in the part-time area because the Conference Center...if there is a wedding going on of 400 people in that Conference Center, we would have to staff for that night and those usually, in our other convention center-type hotels or conference centers, this is small Conference Center.

President Robinson: So it would jobs as needed then.

HCW CEO Rick Huffman: As needed on those events. Then your regular full-time jobs are obviously...you're open 24 hours a day, seven days a week, so you'd have to staff all of those positions along with housekeeping, sales people, what have you, normal...

President Robinson: So could you...so how many full-time jobs do you anticipate having?

HCW CEO Rick Huffman: You know I'd rather not give you a number here tonight but provide it to you on exactly how many. I need to ask our management company what they anticipate in full-time jobs but I'd be happy to get the answer back to you this week.

President Robinson: Yeah because I think a lot of people in the public think, "Oh, we'll have all these jobs after this hotel's built". And you know, I was just wondering how many jobs would it actually be, whether it be part-time or full-time or full-time without benefits or what.

HCW CEO Rick Huffman: You know we have benefits. All of our...all of them have benefits if you're full time. Even our part-time employees have benefits. But the one thing Connie that the hotel provides or the Conference Center, Convention Center provides is, for example, one of our centers this weekend; we had 500 rooms sold for three nights, which are 1500 room-nights. Those people, when they come into a town, they don't just walk downstairs and go to the convention. They go eat at other places. The number one pass-time of the conventioners is shopping and different things to do in town and other activities. That generates jobs also. And so it's really...it's the overall impact of a project like this that creates the jobs.

Councilwoman Brinkerhoff-Riley: What role will you play in creating business? I mean will you play any role in drumming up business as an owner of the hotel and the manager, will the sort of the lights be open or will you be actively cultivating business yourself?

HCW CEO Rick Huffman: I'm always out looking for business but we will have a General Manager that will be here. There will also be a "groups" sales manager. For this project, there'll be several salespeople selling the space. They'll also work with the County Convention Center on selling their space for them because it needs to be a real marriage of selling that space back and forth.

We're always going be...I mean I think I told somebody today in an earlier meeting when would...they said, "When would you start marketing?" and I said, "When the bonds are...when the bond agreement is passed by Council, that next day we'll start the marketing because you can't start too early".

In the Conference Center and the Convention business, bookings take time to get placed cause they're already booked somewhere for maybe two years, maybe three years, so we need to get in that rotation. I told them today, the first place we'll hit will be the State because right now you're not in a State rotation and so we'll go up there to the capitol and I'm sure we'll book like heck to get that State association business in the loop so you are one of the city's that it stops at.

So but we will...we'll be very aggressive. What role do I play? I play the role of overseeing that. Hopefully these managers are doing their jobs.

Councilwoman Brinkerhoff-Riley: Well right. No, I mean a local manager would be more appropriate to know what was going on.

HCW CEO Rick Huffman: As far as myself being out in the community doing that, there are already some folks that I have done that with, a few corporations here in town. But that's generally not what I do.

Councilwoman Brinkerhoff-Riley: No, and I guess when I said "you" I didn't mean you personally in terms of the hotel and what role they would play. If you've got someone on the ground that is doing group sales, that makes more sense that they can track events at the Ford Center and things like that.

I don't want to cut in on other people's time but how many hotels do you currently manage?

HCW CEO Rick Huffman: We don't currently manage any?

Councilwoman Brinkerhoff-Riley: I thought that was kind of part of the deal that you're...as part of this contract, you are going manage this hotel for five years, but that's not normally what you do.

HCW CEO Rick Huffman: We will not manage this hotel for five years either. We will own this hotel; we will oversee, obviously, the management company. But we hire what was called "third party management" in the industry and so we have a third party management company that works for us that does it but we don't own that management company

Councilwoman Brinkerhoff-Riley: Okay, so they'll...when we talk who is actually going to be on the ground here, interacting with the community, hiring workers, it's a management company?

HCW CEO Rick Huffman: Yes.

Councilwoman Brinkerhoff-Riley: Have you already selected a company?

HCW CEO Rick Huffman: We have two finalists. We've not selected...

Councilwoman Brinkerhoff-Riley: Okay, okay. So you are still working on that. What about the retail space? Is that...I understand that you'll be responsible for filling that retail space. Is that up your alley? Is that something you've typically done in the past.

HCW CEO Rick Huffman: That we do.

Councilwoman Brinkerhoff-Riley: I understood that this sounds like a lot of square footage but maybe like a Joe's Crab Shack would fill it. *(Inaudible)*

HCW CEO Rick Huffman: It's about...right now it's planned to be about 9000 square feet.

Councilwoman Brinkerhoff-Riley: Is that one restaurant; is that two restaurants?

HCW CEO Rick Huffman: No. Like a Joe's Crab Shack would be about 5000 feet, 5500.

Councilwoman Brinkerhoff-Riley: So maybe two restaurants; maybe a restaurant and a store.

HCW CEO Rick Huffman: Yeah I would say we're already actively looking for a full service...not breakfast, but lunch, dinner restaurant...

Councilwoman Brinkerhoff-Riley: Because you're going to serve breakfast (*Inaudible*).

HCW CEO Rick Huffman:...focusing mainly on dinner. In a...maybe a three to four-star range for it and then we also see...and we are working with a national coffee vendor for a small space. But those are things that we'll have to go out and try to get for that 9000 feet but they'll probably end up being, you know, no more than four tenants.

Councilwoman Brinkerhoff-Riley: I understand that there is only one four-star restaurant in the State of Indiana. It's located in Bloomington. So do you really mean three or four or are we really talking three?

HCW CEO Rick Huffman: Probably three.

Councilwoman Brinkerhoff-Riley: Okay. I know that because my son works in a restaurant in Bloomington.

Councilman O'Daniel: Is that within the hotel space itself or are we talking about the area across the street?

HCW CEO Rick Huffman: The retail piece across the street.

Councilwoman Brinkerhoff-Riley: It's across the street. Yeah, I understand you'll have some retail in the hotel but that's your partners.

HCW CEO Rick Huffman: There is a little, tiny spot.

Councilwoman Brinkerhoff-Riley: Gift store or...

HCW CEO Rick Huffman: There is a leftover space that could be retail.

President Robinson: Will you have your own restaurant in there in addition to a...

HCW CEO Rick Huffman: We will. We'll have a...and that restaurant will focus more on breakfast and lunch and it's called Made Market and Made Market is a product that Doubletree has come out with. There are a couple of them open right now but it is a new product. But it does focus mainly on the hotel guests. A good lunch crowd for the area, what have you, but it's not what I would call a great dinner restaurant although they'd probably get mad at me for saying that. They think it is but I don't. But that's a brand standard restaurant that Doubletree's do in their hotels.

Then on the...now the top floor does have...on the 10th floor does have an outdoor rooftop bar on it that is really going to be pretty special. It's on...it's got views looking over the river; a

five-foot glass wall around it so you can be outside; fire pits, things like that. It's really a neat feature I think for something for downtown.

President Robinson: What's the typical salary levels for the permanent positions?

HCW CEO Rick Huffman: You know, I can only give you probably what we're...our General Manager in one of our properties is making six-figures plus. The assistant manager is making right about there and then we've got several, you know, executive positions, it's a large property. But you know they go down into, you know, front-desk managers in salary ranges of 30 thousand to 40 thousand. It's just...it's kind of all over the board Connie, I can...Bob Allen could probably furnish you...I can't furnish names or anything but what a typical salary range would be for people. And I don't really get into that much to know.

President Robinson: Are there any...yes, Councilman McGinn.

Councilman McGinn: Hi, welcome back.

HCW CEO Rick Huffman: Thank you.

Councilman McGinn: Can you kind of give us just kind of a thumbnail sketch of the parking garage and relationship with the number of spaces to the hotel and to the apartments and who gets what? Who funds that type of thing?

HCW CEO Rick Huffman: Sure.

Councilman McGinn: Thanks.

HCW CEO Rick Huffman: The parking garage is going to be owned by the City and the parking garage, you know, total construction costs right now is estimated at about \$5,100,000. It's 300 and some odd spaces; I don't remember the exact number. It is expandable to six hundred spaces on the structural engineering portion of it so it can go up. It's four bays wide, or four parking spots wide. It's currently three stories tall.

Unidentified Speaker: Is the expansion up?

HCW CEO Rick Huffman: Expansion up. It has and in and an out on both streets so it's accessible from the north and the south and it will also...it's an automated ticket spitter system so, you know, you can pay as you go on it without having to have a full-time person there. That's how we've set up the controls right now on it. Very automated, LED lighting through it and it's designed right now with motion censored lighting and the motion censored lighting is LED so nobody moving around the garage, only the convenience lights are on. As soon as it sees motion, lights come on on the floor. Plenty of light to get up and down for safety.

President Robinson: Are you managing the parking lot.

HCW CEO Rick Huffman: Yeah.

President Robinson: Okay. So I guess that just happened, huh?

HCW CEO Rick Huffman: Yeah. It's in the contract that way for us to manage the cleaning of the garage, the security, all the different elements too.

President Robinson: Cause I was under the impression in our meeting that the Building...it's a possibility that the Building Authority...did I not hear that correct?

(Inaudible)

Assistant City Attorney Nick Cirignano: Let me clarify.

HCW CEO Rick Huffman: Sure.

Assistant City Attorney Nick Cirignano: Rick, that's probably changed since...you can talk to Barry about it.

HCW CEO Rick Huffman: Oh, okay.

Assistant City Attorney Nick Cirignano: I'm just going clarify and then I think Ed needs to speak next on financial issues.

Regarding...the parking garage was actually one of those things that we went back and forth with for a long time and that's why Rick probably isn't exactly remembering where it settled. Where it settled was they're going to pay a certain rent, \$4000 a month, for the number of spaces needed for the hotel, which I believe, I don't have it right in front of me, I think is 150, and then what they will also do is they will rent spaces as necessary for the apartments as well and I think the number we settled on was \$55.00 per space, per month, and these are all subject to CPI adjustments over time. And then the City will have the benefit of the balance of those spaces on an as needed bases and we're hopeful that that will be helpful for, you know, things at the arena and so forth, and so the way we figured it out, given the cost of what it is to operate the hotel, we think we can cover most of costs through HCWs rental payments and then make some money on top of that. I, at this point, turn it over to Ed.

Councilman O'Daniel: It's a net zero then basically. They pay us \$48,000 but that's about what we are going to pay them to manage it.

Assistant City Attorney Nick Cirignano: No, we're going manage it.

President Robinson: Yeah, we're going manage it.

Assistant City Attorney Nick Cirignano: The Building Authority will manage it.

Councilman O'Daniel: We are going manage it.

Assistant City Attorney Nick Cirignano: And we think...

President Robinson: I think we need a private company to manage it.

Assistant City Attorney Nick Cirignano: That's probably a subject for another day but I know that Ed would like talk about some things, so thank you very much.

Ed Hafer: You seem very anxious to get Ed up here. My name is Ed Hafer. I'm the president of the Evansville Redevelopment Commission. I started up here a few minutes ago to maybe address a question that Councilman Friend had relative to these percentages. The original agreement, which I think the original proposal which I believe is what you're looking at, had a 5% contingency in it. The contingency was to cover some of the things you were talking about earlier of just costs, unforeseens and these sorts of things. It also had a 10% overhead in it. Ten percent overhead is a pretty common number for construction. It's basically everything else. That's where bonding costs are; insurance costs are for the contractor, temporary trailers, all of those sorts of things. The actual developer's fee, which is outlined in the agreement, is 3 ½%. John?

Councilman Friend: *(Off-Mic)* The reason I saw that Ed because generally he *(Inaudible)* he's going to be the GC on this, correct?

Ed Hafer: No.

Councilman Friend: The developer's the GC.

Ed Hafer: No, no, no, no. The GC works for the developer, not the City, but he's not the PC.

Councilman Friend: *(Off-Mic)* So when I look at that then I'm looking at...misunderstood what that said cause I looking, I say five and ten and then I saw the other. By the time I add that up that comes up about ten *(Inaudible)* or thereabouts cause I pulled out the apartments out of it. Pulled the apartments.

Ed Hafer: I'm sure your math is correct; I'm just saying that those are construction contingencies and overhead and profits. It's not developer's fee. The developer's fee, if you go down into the soft costs there, maybe the fourth or fifth line from the bottom, is the developer's fee. It's not stated as a percentage but it's 3 ½%.

Councilman Friend: *(Off-Mic)* *(Inaudible)*...the total comes in to be about 4.6 million. At least on *(Inaudible)*

Councilwoman Brinkerhoff-Riley: That's 3 ½% of 74 million, right, the total?

Ed Hafer: I think if you go all the way over it totals up to about 2.8 on the original proposal.

Councilman Friend: *(Off-Mic)* *(Inaudible)*...we got two of em in here. We have a developer's contingency and we have a fee. *(Inaudible)* come in to be 4.6 million.

Ed Hafer: Okay, okay.

Councilman Friend: I mean on that not *(Inaudible)* on the other side *(Inaudible)* about 10.

Ed Hafer: Anyway, those are what those numbers are. I think.

Unidentified Speaker: *(Off-Mic)* *(Inaudible)*

Councilman Friend: *(Off-Mic)* The way I understand it *(Inaudible)* in front of us and probably got those contingencies...

Ed Hafer: Correct. Change orders, things...

Councilman Friend: *(Off-Mic)* *(Inaudible)* ...kind of things.

Ed Hafer: Yes. Okay, you've pretty well covered the project components. You know there's the hotel and meeting space, which has a budget of 43.8 million. That's working out to about \$175,000 a room. As it sits, a 253 room Doubletree by Hilton. It has a first floor restaurant and bar, a room lounge/bar, a second floor spa and fitness, an indoor pool, and some additional retail. And the other component in the developer's project components, as they're described in the Development Agreement, are the apartments at 15 million so the developer's share of this project is, or under his ownership, is 58.8 million. The ancillary projects, the five projects, the sky bridges, the parking garage, the retail, the improvements to the Centre and site work and infrastructure is another 17 ½ million dollars. The total City/public, not just City, City and County, but the total public commitment is 17 ½ million dollars, bringing the total project cost to 76.3 million.

Councilman Friend: *(Off-Mic)* Would the TIF *(Inaudible)*?

Ed Hafer: Yes.

Councilman Friend: What's the anticipated level of bonding off that bifurcation?

Ed Hafer: I've got a slide on this in just a second but it'll...okay. The project funding, the developer the will be providing 38.8 million dollars-worth of equity, cash, and financing and the public will be providing 37 ½ million dollars, 20 million dollars towards the hotel and 17 ½ million dollars toward the ancillary projects, which will be funded from either, the public part, from a bond issue and certain funds on hand. We believe, and I'll show you this chart that answers you question, it talks about this a bit more that there is more than adequate existing funding for this project and projects that we might anticipate in the future. Certainly first and foremost in that is what might be expected and some sort of a subsidy or whatever for the IU Medical School Project.

It will create new TIF revenue. The contractor, or the developer, is not being granted any tax-abatements or anything like that so it will be creating new income for the TIF, additional income for the TIF, which will go back for paying for downtown projects.

Councilwoman Brinkerhoff-Riley: Is that the 300,000? Is that the 300 that I think Nick had answered what was expected...

Ed Hafer: No. The actual...that's when John talked about bifurcating the TIF. There has been discussion, and it's really your decision to make as to whether we want to take the existing hotel site and remove it from the Downtown TIF...

Councilwoman Brinkerhoff-Riley: Make it its own TIF.

Ed Hafer:...and make it its own TIF. That would generate...

Councilwoman Brinkerhoff-Riley: If we don't, that's the 300 we're losing.

Ed Hafer: That would generate about \$300,000 worth of additional monies.

Councilwoman Brinkerhoff-Riley: Because we get new bases.

Ed Hafer: Right. The actual taxes that the hotel will pay is something in excess of a half million dollars. It will really be up to the assessor to assess it and whatever *(Inaudible)*...

Councilwoman Brinkerhoff-Riley: Right. But we're talking...is that the hotel and the apartments?

Ed Hafer: Yes.

Councilwoman Brinkerhoff-Riley: Because about 2/3 of the lot so you're thinking of maybe about a half million dollars in property taxes.

Ed Hafer: A half million dollar property tax bill...

Councilwoman Brinkerhoff-Riley: Cause that 300 really doesn't count. We have to...we would lose it if we didn't form the new TIF but when the new TIF is formed you're not talking about a total of 800...

Ed Hafer: Yeah.

Councilwoman Brinkerhoff-Riley: Okay, so you are?

Ed Hafer: Yeah.

Councilwoman Brinkerhoff-Riley: By forming a separate TIF and lowering that basis point, you get three and then if they add 500 in property taxes, you're looking at \$800,000 on presumably what would then be used to pay on the bond, which is about 2.6 million a year.

Councilman Friend: Okay Ed, are you saying that we're going have \$800,000 coming in property taxes?

Ed Hafer: If you bifurcate the TIF.

Councilwoman Brinkerhoff-Riley: If we make a TIF.

Ed Hafer: Three hundred plus five hundred.

Councilman O'Daniel: That's in the TIF though, right?

Ed Hafer: Yes.

Councilman O'Daniel: I mean the property taxes, basically the hotel will be paying \$500,000. It's not like we are just creating \$300,000 out of mid-air. It's just now shifted from a general tax ledger to the Downtown TIF.

Councilwoman Brinkerhoff-Riley: Huh uh. No, if we don't form the separate TIF and create a new basis for that lot, we just lose 300, but by creating a second TIF and adjusting our basis amount...

Councilman O'Daniel: For the amount. Taxes doesn't change, I mean...

Councilwoman Brinkerhoff-Riley: No but we...

Councilman O'Daniel: *(Inaudible)* the assessed value.

Councilwoman Brinkerhoff-Riley: But it's the lower....it's the new value, we get everything above.

Councilman O'Daniel: But that's the TIF though, right?

Councilman Friend: *(Off-Mic) (Inaudible)*...what I'm saying is TIF right is *(Inaudible)*. All I'm saying is *(Inaudible)*, is it not?

Ed Hafer: Yeah, if you bifurcate it *(Inaudible)*. Right now the base for that lot is like \$600,000, I think.

Councilwoman Brinkerhoff-Riley: Yeah. Which automatically gives us three and if they pay taxes that'll be 800 a year that's captured in that TIF.

Ed Hafer: With me is Bob Swintz, from London Witte, if you would like...

Councilwoman Brinkerhoff-Riley: He's got the real answer. Is that right? Is it \$800,000?

Bob Swintz: If you bifurcate the TIF and nothing else happened, it would increase the tax increment on an annual basis about \$300,000. Once...

Councilwoman Brinkerhoff-Riley: In that lot though.

Bob Swintz: In that lot, which is in...

Councilwoman Brinkerhoff-Riley: Which is the separate part...

Bob Swintz: *(Inaudible)* part of the whole downtown. Well, part of the Downtown TIF.

Councilwoman Brinkerhoff-Riley: If we create a separate one...

Bob Swintz: If you create a separate one.

Councilwoman Brinkerhoff-Riley:...against that lot, it's immediately got...

Bob Swintz: *(Inaudible)* increase the total TIF collections by about \$300,000.

Councilwoman Brinkerhoff-Riley:...\$300,000. But that 300 has to be spent on that lot, is that correct?

Bob Swintz: Yes.

Councilwoman Brinkerhoff-Riley: Okay, so it would actually be a real \$800,000 that would be forced to be spent towards the hotel.

Bob Swintz: *(Inaudible)* the hotel and that's the number, the \$500,000...

Councilwoman Brinkerhoff-Riley: Okay.

Bob Swintz:...so it'd be \$800,000.

Councilwoman Brinkerhoff-Riley: I just wanted to know if that 300, which TIF it would end up.

Councilman Friend: *(Off Mic)* Where this comes in, going forward, if something really bad happened out there and they couldn't make the property tax payment and then we go ahead and put a bond out there then and we don't have the property tax to pay the bond, then we'll have to bring that out of COIT, out of the boat fund, *(Inaudible)*. Wouldn't that be right, Bob?

Bob Swintz: Right now we're looking at Tax Increment, any excess Food & Beverage after the arena. We are not going to pledge the boat funds, the wagering taxes, but those funds have always been in the mix.

Councilman Friend: *(Off Mic)* We're going to get the COIT though.

Bob Swintz: We'll have a COIT backup...

Councilman Friend: Right.

Bob Swintz:...just like we do with the arena with the intent that we never touch those.

Councilwoman Brinkerhoff-Riley: But do we actually say that we're going to use the property taxes that are collected on that hotel...I mean...sorry. That's silly. That's just TIF money, you know it just becomes TIF money.

Bob Swintz: Right.

Councilwoman Brinkerhoff-Riley: Okay. So that's the first front of attack on the bond.

Bob Swintz: Yes. TIF is....

Councilwoman Brinkerhoff-Riley: But we are counting on it.

Bob Swintz: Food & Beverage are...

Councilwoman Brinkerhoff-Riley: So we are counting on that property tax to be paid. When we do our analysis, our analysis is that they're able to pay the property taxes.

Ed Hafer: Yes

Councilwoman Brinkerhoff-Riley: So what you're saying is that in the event of a default or inability of HCW to meet its obligations...

Unidentified Speaker: *(Inaudible)*

Councilwoman Brinkerhoff-Riley: Well, whoever, yeah, any of the 300 entities.

Bob Swintz: That's always a risk we take.

Councilman Friend: *(Off Mic)* We had that problem with history about the Executive Inn. *(Inaudible)*

Bob Swintz: And other properties had that.

Councilman Friend: Oh, yeah.

Bob Swintz: Okay. The total TIF revenues with the hotel, with the bifurcation should run about 7.2 million dollars per year.

Councilman Friend: *(Off Mic)* *(Inaudible)*

Bob Swintz: Total TIF revenues with the hotel, with adjustment bifurcation *(Inaudible)* should run about 7.2 million dollars a year.

Councilman McGinn: I mean we want whatever they pay in taxes to go into the TIF so we can make the payment. I mean isn't that sort of like common sense?

Bob Swintz: Absolutely, for that or for other projects. When it goes into the TIF, you can just say, "That dollar goes here and that dollar goes there".

Councilman McGinn: And if we create the separate TIF then we can't use the 300 generated by the hotel to satisfy the debt because it goes into a different TIF.

Bob Swintz: *(Inaudible)*

Councilman McGinn: Somewhere I lost track then.

Bob Swintz: If you bifurcate it, you'll have a TIF allocation fund for the hotel...

Councilman McGinn: Three hundred thousand.

Bob Swintz:...that sits within the Downtown TIF allocation fund. All the TIF that's generated from hotel allocation area will be used all for the debt service. We've also pledged the downtown allocation as well.

Councilman McGinn: Okay, so either way, the 300 generated strictly by the hotel can be used to satisfy the bonds payments, whether it's in its own TIF or whether it's in the general TIF.

Bob Swintz: It will be satisfied.

Councilman McGinn: Okay.

Councilwoman Brinkerhoff-Riley: Yeah, it does. That have to put the 300, cause it is in that lot.

Councilman McGinn: Okay, well as long as we can satisfy the...I didn't...I mean, I thought for a minute there we were saying that he had to put new improvements to the tune of \$300,000 a year into the area.

Councilwoman Brinkerhoff-Riley: No, that 800 collects there and can only be spent on that lot.

Councilman McGinn: Okay, that's...I'm okay then.

Councilman Friend: *(Off Mic)* Is the 700...is the seven million dollars, is that discretionary or is that *(Inaudible)* bond payments *(Inaudible)* we have now?

Bob Swintz: It's that after we have satisfied all the other obligations, we'll have excess TIF that we are pledging to the payment of these bonds. Hold on a minute.

Councilman Friend: *(Off Mic)* *(Inaudible)*

Councilwoman Brinkerhoff-Riley: What we are saying is we projected revenues...

Councilman Friend: *(Off Mic)* *(Inaudible)*

Bob Swintz: We've projected TIF revenues, after we've taken out all the legal obligations, we think that that number will grow between six to almost eight million dollars over the life of these bonds, after you've paid all your other obligations off.

Ed Hafer: The number you see, John, is an average *(Inaudible)*.

Bob Swintz: Some of the bonds will fall off over time. We've assumed...the only growth we've assumed, our abatement roll-offs, we've not assumed any other growth or any other development in these numbers.

Councilman O'Daniel: Bob, I know you had this slide up before when you made the presentation before, was that gaming revenue, was that adjusted from before because I think there is now at least some indication that the gaming revenue is going to be significantly less, based on changes in the upstate.

Bob Swintz: Well, these...the gaming revenues come from three sources. There's a wagering tax, the admissions tax, which were set; those are minimum amounts set in 2002, and then there is the lease payment from the operator. We've just assumed that that will continue on as it always has.

Councilman O'Daniel: That's an assumption though but isn't there some indication that that may be as much as a million dollars less a year?

Unidentified Speaker: *(Inaudible)*

Councilman O'Daniel: Two point six million a year?

Unidentified Speaker: *(Inaudible)*

Councilman O'Daniel: So instead of 6.4 it could be 4.8?

Bob Swintz: Well, but also any loss in the admissions tax will be made up with the wagering tax.

Councilwoman Brinkerhoff-Riley: *(Off Mic)* Because of that 2007.

Bob Swintz: Right, right. I think there...

Councilwoman Brinkerhoff-Riley: *(Off Mic)* That's what the General Assembly is trying to get *(Inaudible)*

Bob Swintz: The State holds back probably hundreds of millions of dollars in wagering taxes for State purposes so the intent is, if you lose admissions tax because of the credit, that should be made up with the wagering taxes that they hold for other purposes.

Unidentified Speaker: *(Inaudible)*

Bob Swintz: The only casino that that didn't affect was French Lick, which is kind of...it's just a self-contained.

Councilman O'Daniel: But I guess from the previous slides that you had shown us, you know, the last time you were here, that 6.4, that was not adjusted downward, given the trends and what the revenue has been at Casino Aztar or what the anticipated...

Bob Swintz: We had not assumed any reduction, no.

Councilman O'Daniel: Alright.

Councilman Friend: *(Off Mic)* *(Inaudible)* lease payments anywhere in this now?

Bob Swintz: Yes, yes.

Councilman McGinn: I have a question too Bob, while you're there. I know this is an average annual cash flow...

Bob Swintz: Yes.

Councilman McGinn:...the slide that's up there now. Average is the word that I'm looking at because we talked briefly, we don't get the big hit, we don't get the five million a year coming in on Food & Beverage until 2018, once the Center is paid off, so that's a...you know, if bonds are issued in this case, when do they first become due? 2014? I mean, what do we do for that four-year period before we get the big hit from Food & Beverage taxes? Do we have enough?

Bob Swintz: What we want to do with this bond issue is...when we were here before we had somewhat of a different structure for this bond. Now we are looking at more of a straight-forward bond without using any of the revenues as a source, necessarily, so...

Councilman McGinn: You're talking the cash we have...

Bob Swintz: Right.

Councilman McGinn:...what we hold now in various accounts.

Bob Swintz: Right. We are looking now at bonding for the full amount of the 37½ million dollars and then being able...there are some dollars we'll have to use for debt service so we'll use that in the next couple of years to help offset debt service.

Councilman McGinn: With our existing cash?

Bob Swintz: Right, if the County would contribute money, we would use that for debt service. What was the other one we talked about? I don't remember. But the wagering tax is casino revenue, the excess TIF we will probably, you know, those will be evaluated whether we want to use those for debt service going forward or keep them where they're at. The other one was there is about two million dollars left in the arena fund so we would figure out a way to best use those dollars to help offset those. Early...because there will be, in the early years, it's not going to be 7.2 million dollars excess.

Councilman McGinn: What...I mean ballpark, what is the cash that is available, the cash that we could put on here that...you know we were talking about paying X amount of dollars and bonding, you know, 37.5 minus that X. Are we talking...is it 11, 12 million dollars that sort have been saved in anticipation of this project? I mean just...

Bob Swintz: Are you going to answer? *(Question directed to Ed Hafer)*

Councilman McGinn: You've got to give me a number so I can sleep.

Ed Hafer: *(Inaudible)* I would say that at the last presentation...if you go back one, Steve...we had projected at that time using 11½ million of funds on hand.

Councilman McGinn: Okay.

Ed Hafer: We've reduced that to \$755,000.

Councilman McGinn: 755 or *(Inaudible)*

Councilman O'Daniel: It went from 11 million to 755 thousand?

Unidentified Speakers: *(Inaudible)*

Councilman O'Daniel: We went from 11 million to less than a million?

Ed Hafer: Yes. And the reason for that was Councilman Friend. And I think Mr. Friend had very valid reasons for saying that in a sense, you are using a lot of that money to cover day-to-day cash flow as you empty an account and these sorts of things. It doesn't mean you're short of cash it just means that, you know, whatever. So you'll see that the amount of bonding has gone up but the amount of cash up front has gone down. It's a matter of a...you want to pay a little more on the bond issue, I think I'm...hope I'm quoting you right...pay a little a more on the bond issue or do you want to have to be faced with maybe, you know, quarterly or monthly or whatever, borrowing. Isn't that right John?

Councilman Friend: *(Off Mic)* Let me explain the theory behind that. The theory behind it was, I get concerned about cash balances because when you see the General Fund, Park Funds, and all that, when they actually go upside-down, they do that quite often, these are the funds that are setting up these accounts because they are all in account...that's #3768, that's the big one fund. And those funds help right the other funds.

Councilman Adams: Well then they maintain your cash flow.

Councilman Friend: *(Off Mic)* Yeah, cash flow. We can't count on getting lines of credit from the bank *(Inaudible)*, you know, June and December when we get our installment, so we've got to fight through that area and we need to *(Inaudible)* cash out there and that's the problem. The way it works is if you go in and find out that, A) cash balances are growing. Like you remember Frank McDonald, when he left in 1999 we had had almost 50 million dollars sitting in a Rainy Day fund. If we ever get back to that one of these days, we can pull that in and pay that down. That's what I meant *(Inaudible)*.

Councilman McGinn: This, John, I mean this also...hey John, this also insures that we keep the cash up-front. It makes the likelihood of dipping into the River Boat funds that aren't committed much less likely so we still have our capital budget.

Councilman Friend: *(Off Mic)* *(Inaudible)*

Councilman Adams: What's the next part of the dog and pony show?

Unidentified Speaker: I don't know.

Councilman Adams: What's the next part?

Ed Hafer: Well we've covered pretty much the job situation of over 800 construction jobs and 250 on-site jobs. I talked about increased property taxes of something in excess of a half a million dollars. The inn-keepers tax and food & beverage tax and County income taxes together will total up to another half a million dollars of additional revenue to local government.

And we have a couple of other things that we are looking at. A Profession Sports Development Zone, which currently exists. We are talking about expanding it to include the hotel site. That is really kind of like a TIF. I guess it is a TIF, but its capturing sales taxes that currently go to the State for local use. We are looking at new market tax credits. The next round of that funding won't come until after the first of the year. There are various other smaller funds that...grants and things like that, that could accrue the project, but the project is fundable, sustainable and leaves enough money for other projects without any of those if we're not successful.

This project, as the mayor has said, and I believe he said it again tonight, it will be new taxes created; it won't raise any tax rates or anything like that for the existing tax base.

Questions of me? If not I'll turn it over to...

Councilman O'Daniel: So essentially it comes down that over 25 years, based on the Hunden analysis, and then you throw in the debt service on the bond payments and the net cost is about 12 million dollars to the tax payer or it costs the City about 12 million dollars? If the taxes collected are 31 million and the bond payments and everything else run about...

Ed Hafer: Yeah, I think it was...I think his number is about 11.5 or something like that, but yeah.

Councilman O'Daniel: And as far as the inn-keepers taxes and those sort of things, what are the assumptions that are based...that that would generate nearly a half a million dollars a year?

Ed Hafer: I don't have the occupancy rates and everything in front of me but the...

Councilman O'Daniel: Is it based on 70%...60% occupancy at 128 a night or...

Ed Hafer: I think it's like 61% or 62% occupancy...

Councilman O'Daniel: At an average rate of 128 a night, cause I thinks it's...

Ed Hafer: No.

Councilman Friend: *(Off Mic)* This one is \$111.45 a night *(Inaudible)*.

Councilman Adams: How do you maintain that with a third-party management team?

Ed Hafer: The question was how do you do that with a third-party manager?

Councilman Adams: Yeah.

Unidentified Speaker: *(Inaudible)*

Ed Hafer: The question was...

Unidentified Speaker: *(Inaudible)*

Unidentified Speaker: *(Off Mic) (Inaudible)* How do you maintain a 60% occupancy rate with a third-party management team?

HCW CEO Rick Huffman: That's their job. They are the third-party management team.

Councilman Adams: *(Off Mic)* No, how do you keep them doing that?

HCW CEO Rick Huffman: If they don't, we get rid of them. That's how we've done it in the past.

Councilman O'Daniel: What's the risk to you? What do you lose if they don't meet their performance objectives?

HCW CEO Rick Huffman: Money out of our pockets, equity. If it doesn't make money, we lose money, core private investors. We've had hotels that didn't make money for a couple of years and I'm glad to say now every hotel we own makes money. But, you know, ups and downs in the economy, things happen, but we are willing to take a private risk on it. *(Inaudible)*

Councilman Lindsey: What's the average occupancy rate for the City?

HCW CEO Rick Huffman: For this city right now, I couldn't tell you what it is right now. At the time that the RFP went out it was 65% on the comp-set. Not for the City. The City takes in every hotel, Super 8s all the way down to no-name hotels.

Councilman Friend: *(Off Mic)* Al, for those *(Inaudible)*, 58.7%.

Councilman Lindsey: 58.7.

HCW CEO Rick Huffman: But you wouldn't want to measure your average occupancy based on that.

Councilman Friend: *(Off Mic)* Fort Wayne is 50.1. We have Peoria, Illinois, 61%. We have Lexington, 59.9. We're about fourth down.

Councilman O'Daniel: And if you do that you add the new Courtyard. Did that take into account the Courtyard, the Hampton, and then also, what yours would be at 252?

HCW CEO Rick Huffman: It doesn't take into the Courtyard cause the Courtyard just opened.

Councilman O'Daniel: Okay, so you're adding another 400 rooms or so to the comp-set?

HCW CEO Rick Huffman: 250 plus whatever the Courtyard is.

President Robinson: Is that being over optimistic?

Councilman Friend: Hey Mayor, let me ask you now...

President Robinson: *(Inaudible)*

Councilman Friend: Go ahead.

HCW CEO Rick Huffman: You know I don't believe, based on...we've gotten a lot or really positive feed-back from manufacturing companies here in town, from some of the people that are in downtown Evansville right now, already asking about rooms, contracts and things like that with the hotel. The convention business along with the day-to-day business...is it a challenge? Yeah, it's a challenge but I think it's a challenge we are willing to take on. I think we can do...like I told Mr. Friend today, I would hope to get the hotel to at least 65% occupancy. A lot of people thought we were nuts when we built 600 rooms in Branson, Missouri with 10,000 people that live there. And they make money.

President Robinson: In Branson?

HCW CEO Rick Huffman: In Branson.

President Robinson: I can't compare Branson to Evansville. I mean its...all the restaurants and activities that you have around your hotel.

HCW CEO Rick Huffman: But only a few months out of the year.

Unidentified Speaker: *(Inaudible)*

HCW CEO Rick Huffman: But that is...you know we are willing to take that risk if the City wants to have conference center hotel. When the RFP went out, it said this is what we want. So we responded to the RFP and we still think that maybe that's what the citizens want here.

Councilman O'Daniel: And then, at least the CVB has indicated that it could generate...perhaps a rosy view or maybe it's realistic...25,000 room-nights. It's about 80 a night, right? Over the course of a year?

HCW CEO Rick Huffman: Oh, uh huh.

Councilman O'Daniel: About 80 room-nights over the course of the year...how do you achieve 60% to 65% occupancy to fill out that additional 60 rooms that you're going to need...or 80 rooms in the course of a night without cannibalizing the other hotel business in town?

HCW CEO Rick Huffman: Well the...first off, the CVBC is one element of your marketing in our industry. And we really like to work with the CVBCs because they do bring you business. But the job of selling that hotel is really our sales staff, not the CVBC. It's the people that work for us that sell it and that's who we count on to go out and get the conference center business, the convention business. Right now you have a convention center that sits empty most of the time over there that the County owns. This will be their first opportunity to be able to go to the market and offer a hotel for that convention center.

Councilman O'Daniel: I think my point was...

HCW CEO Rick Huffman: *(Inaudible)*

Councilman O'Daniel: All right, you know, when you were here last time, you sort of...you've done some comps and obviously this is preliminary stuff, but you thought 180 was a

number that you had, at least internally thought and then through other discussions, that number went up. And I guess what I'm...my point is, is 250 too big? If you're thinking 25,000 room-nights, on average, is 80 a night, or thereabouts, you know, if you want to achieve 60% or 65%, which would start making you money, wouldn't you want to have a smaller hotel that doesn't have to be staffed with, whether it be 250 or 200 full and part-time jobs?

HCW CEO Rick Huffman: We ran the analysis on 180 versus 250 on that because that question did come up and ironically the cost to move it to the 250 on the front-end wasn't that much more when you consider soft cost and everything into it then, the 250. We feel like in the market study, when you read Rob Hunden's market study, as I think Ed said earlier, it said the market could grow to a lot more rooms than that. In working with the ERC and the City, the City flat said the minimum is 250 because they are looking at the future, not just today or next year or the next year.

Unidentified Speaker: Tell it, tell it!

Councilwoman Mosby: But don't we need...

HCW CEO Rick Huffman: It's hard to do that. Tough, tough. What I mean it'd be hard...you want your convention center hotel...when you have a convention people want to stay at the convention center hotel.

Councilwoman Mosby: But don't we need about a 230-plus room hotel to actually bring conventions in here? I mean I've speaking with Mr. Warren, I've spoken to several State associations, and if we have 180-room hotel, they're not going to come here. Plus, I want the jobs. We need the jobs.

HCW CEO Rick Huffman: That is what market study and CVBC has indicated. Yeah.

Councilman O'Daniel: Do you operate convention hotels less than 250?

HCW CEO Rick Huffman: Nope. Yes, yes we do. What am I thinking? Yeah we do.

Councilman O'Daniel: Does pretty well too, doesn't it?

HCW CEO Rick Huffman: It does real well but we have another three...close to 300 rooms within 100 yards of it.

Councilman O'Daniel: And we have Casino Aztar which 350 rooms in eight blocks....

HCW CEO Rick Huffman: Which is full on weekends and what have you.

Councilman O'Daniel:...or are those out?

HCW CEO Rick Huffman: You know I'm going by the market study that you guys paid to have done...

Councilman O'Daniel: I understand.

HCW CEO Rick Huffman:...and they're in that business; I'm not.

Councilman Adams: You are *(Inaudible) (Laughing)*

HCW CEO Rick Huffman: I mean I'm in that business but I'm not in the market studies.

Councilman O'Daniel: I understand.

Councilman Lindsey: Is the River House too, isn't that going to be a project that's moving forward? How many rooms is that?

Councilman O'Daniel: Ninety.

Councilman Lindsey: Ninety. So now we're 440.

Councilwoman Brinkerhoff-Riley: The \$70,000...

Councilman Friend: *(Off Mic) (Inaudible)*...we get the 252-room hotel, La Merigot, the Flamingo and the guy down on the *(Inaudible)*.

Ed Hafer: The Comfort Inn.

Councilman Friend: *(Off Mic) (Inaudible)* it's the Tropicana.

President Robinson: The Tropicana.

Councilman Friend: *(Off Mic) (Inaudible)* I'm sorry.

Ed Hafer: Hey I know what you meant.

Councilman Friend: *(Off Mic)* And you take the River House when that comes on, that's going to be I think 600 rooms I believe downtown. I believe it's 600.

Ed Hafer: I think it's close to 600 without the River House.

Councilman Friend: Without the River House. Now Ft. Wayne's got 494 rooms. Now I'm giving you comparisons. They got 494 between the Hilton and the Marriott Courtyard, and their average room rate now is \$99.00 a night in Ft. Wayne, down in that area. That's what seems to be going on now. What I'm worried...what I'm just concerned about is the amount of rooms downtown compared to our sister city, which would be Ft. Wayne. I'm just asking the question.

Ed Hafer: But I think, and all I'm doing is quoting Mr. Hunden's report...

Councilman Friend: I know.

Ed Hafer:...which said 250 rooms at the main Tropicana hotel, and believe it's 90 at La Merigot. You know those rooms are really not part of the mix for conventions.

Councilman Friend: *(Off Mic)* They get the overflow.

Ed Hafer: Huh?

Councilman Friend: *(Off Mic)* They might get the overflow.

HCW CEO Rick Huffman: *(Inaudible)* won't give you room-lots.

Councilman Friend: *(Off Mic)* I know that.

HCW CEO Rick Huffman: You can't count on them.

Councilman Friend: *(Off Mic)* I've been at conventions where I got blocked out and I had to go out on my own and I'd go out and get those like that. You just...you're kinda on your own.

Councilman O'Daniel: Ed, before you turn it over, you had made a mention of the use of the existing funds and what might be anticipated for trying to land a downtown medical school. What is your projection...assumption...on what that public contribution is going to be if we are fortunate to get it?

Ed Hafer: You know, I don't really know.

Councilman O'Daniel: I'm assuming there's enough there but I want to know what's the...

Ed Hafer: The only thing I know is, you know, the initial report that *(Inaudible)* Umbaugh did said that it was going to be a 30 million dollar project.

Councilman O'Daniel: What is?

Ed Hafer: The med school.

Councilman O'Daniel: The med school.

Ed Hafer: Yeah. Now whether I agree with that or not in all, but if we were to say just to make a straw man, the City's going to pay half that, 15 million dollars. That is probably, you know, a million two or two and a half bond payment a year, and according to the numbers that we have there, that's seven million dollars. Look at it the other way and say seven million dollars...what would it buy? Probably 60, 80 million dollars in bond payments. So, you know, that's my only basis for saying...our only basis for saying that we think there is adequate funding there.

Councilman O'Daniel: Okay.

Ed Hafer: Now I realize that out of those monies we buy fire trucks, police cars, and all these other things.

Councilman O'Daniel: Right.

Ed Hafer: It seems to me that there's a pretty adequate cushion there.

Councilman O'Daniel: Okay.

Ed Hafer: I mean, you can look at...

Councilman O'Daniel: Well that's the assumptions I wanted to hear.

Ed Hafer: Yeah, yeah. You can look at the glass, you know, where is it? And say well, gaming revenues might fall but the lease is fixed or you know, but let's look at it and say that the revenues of the TIF have gone up over the last...

Councilman O'Daniel: I mean that lease is up next year, isn't it?

Ed Hafer: Yeah, *(Inaudible)* I don't know if it's next year...

Councilman O'Daniel: It's coming up.

Ed Hafer:...but it's soon.

Councilman O'Daniel: Okay.

Ed Hafer: Yeah. Okay.

President Robinson: *(Off Mic) (Inaudible)*

Councilwoman Brinkerhoff-Riley: I did. Is it Huffman?

HCW CEO Rick Huffman: Yeah.

Councilwoman Brinkerhoff-Riley: Yeah Mr. Huffman if I could ask you a question?

HCW CEO Rick Huffman: Sure.

Councilwoman Brinkerhoff-Riley: What I hear you saying, I guess which is maybe confusing, is that you think you're going to have a hotel there that makes money.

HCW CEO Rick Huffman: That's our goal.

Councilwoman Brinkerhoff-Riley: I just...I think that's why everyone here is so curious about why a smaller hotel was passed up because we have read the Hunden report and the Hunden report said a hotel the size of 150 to 180 rooms could be self-sustaining. Not necessarily make money but could change the drapes, change the carpet every five years and could float. In fact, when we've catered to private investors, we never get...gotten...we've never been able to get anyone to consider something bigger than that as a private investment because it clearly cannot, in this market, be profitable. So when Rob Hunden came down and appeared in front of this body, he explained to us that a 253-room hotel, especially full service, is not profitable in this market, which is why it requires a subsidy from the City...

HCW CEO Rick Huffman: That's correct.

Councilwoman Brinkerhoff-Riley:...to get you to come in. It's why we've also, however through the bargaining process, got you to agree to stay on board for five years, and how we've tried to control the destiny of this hotel 25 out because it can't...because as far as the \$70,000 report we paid for, it can't make money and so it's a permanent need for capital investment if it's not managed correctly or if other things don't happen downtown, right? And part of your idea that you're gonna raise that occupancy rate to 65% or better, or that you're gonna make money is that other...you're gonna generate other things to happen in Evansville that are gonna drive that; all of which sounds wonderful but we don't know that to necessarily be true.

HCW CEO Rick Huffman: That's correct.

Councilwoman Brinkerhoff-Riley: You're gonna give it your best shot but you're gonna have trouble in this market being profitable unless we're...unless the CVB, unless...cause the Rob...what I loved about Rob's report is that it's full, "And if God is willing", you know, basically. And if God is willing and all of these things line up, we're gonna spur economic investment in this community but it's certainly not a guarantee by putting it there.

HCW CEO Rick Huffman: There are not guarantees. You're 100% correct. That's the reason that the subsidy needed to be there is because a 44 million dollar hotel, which is what that hotel and conference center cost...

Councilwoman Brinkerhoff-Riley: You just wouldn't do, I know.

HCW CEO Rick Huffman: Wouldn't do it.

Councilwoman Brinkerhoff-Riley: Yeah, without the subsidy.

HCW CEO Rick Huffman: It wouldn't give any return. It would lose money.

Councilwoman Brinkerhoff-Riley: Right. So I think that's why we are so curious about when talk about a management company coming in and whether...now I got a little confused, when you mentioned that you had like hundreds of entities; you guys own hundreds of hotels but they're managed by other people?

HCW CEO Rick Huffman: Yes.

Councilwoman Brinkerhoff-Riley: How many hotels do you actually own?

HCW CEO Rick Huffman: You said entities. Hotels...14 I think.

Councilwoman Brinkerhoff-Riley: Okay, so you got 14 that you're actively paying a management company to manage.

HCW CEO Rick Huffman: We do.

Councilwoman Brinkerhoff-Riley: Okay and how long...

HCW CEO Rick Huffman: And then we have a lot of apartments. We've got about 6000 apartment units...

Councilwoman Brinkerhoff-Riley: Okay, that sounds good.

HCW CEO Rick Huffman:...500 hundred thousand square feet of retail. I guess different investment.

Councilwoman Brinkerhoff-Riley: So it does sound like with the apartments that that's right up your alley.

HCW CEO Rick Huffman: It is.

Councilwoman Brinkerhoff-Riley: Now with the hotels that you've owned and managed, how old is your oldest hotel.

HCW CEO Rick Huffman: How what?

Councilwoman Brinkerhoff-Riley: How old is your oldest hotel?

HCW CEO Rick Huffman: Eight years.

Councilwoman Brinkerhoff-Riley: Okay. Sounds great, I mean but what you said that even the ones that you started that maybe weren't profitable for the first couple of years, you've managed to turn around, which included a smaller...

HCW CEO Rick Huffman: We've had some...we did one in Manhattan, Kansas that made a profit the very first month and has made money ever since. Better market than what we thought. Got lucky.

Councilwoman Brinkerhoff-Riley: But you think...I guess it's good to hear that you think you've got a hands-on kind of obligation to work on the marketing.

HCW CEO Rick Huffman: We do. We're very, very hands-on on all of our properties.

Councilwoman Brinkerhoff-Riley: Cause that's good, I mean we haven't been a location, a destination, frankly if ever, but in a very long time and so if...I think it's gonna be difficult.

HCW CEO Rick Huffman: Yeah, it is gonna be a tough job, there's no doubt about it, but you've got a lot of infrastructure down here with nothing connected to the hotel. When they sent out the RFP, I guess myself and about 10 other people thought that it was worth looking at

Councilwoman Brinkerhoff-Riley: Right.

HCW CEO Rick Huffman: And then when we responded and they narrowed it to three, we were willing to put equity in; the other two were not willing to put equity in and wanted the City to own it, basically.

Councilwoman Brinkerhoff-Riley: Okay.

HCW CEO Rick Huffman: So we said, "We'll take that risk". No we may be wrong, and we've been wrong before. I hope we're not on that.

Councilwoman Brinkerhoff-Riley: You know, I just want...and I'll stop talking after this, but I know that you got contracted to come in and create a proposal and negotiate a contract and frankly I don't know how many times you've begged for City Council approval, but I really appreciate the time that your organization has committed to this. I mean it is a long exercise to get it through this kind of process.

HCW CEO Rick Huffman: It is. It's not a small project.

Councilwoman Brinkerhoff-Riley: I appreciate it.

HCW CEO Rick Huffman: You bet. Thank you.

Councilman Friend: *(Off Mic) (Inaudible)* Over the last...you have a hotel about six or eight years old and you have like 14 of them, That seems like really...it could be a *(Inaudible)*. I mean going out and investing. What is plans? Not just here. Your plan to expand to that level elsewhere. The reason why I say that is sometimes quick growth gives me concern from the standpoint of how you're running past your capital. Is most of the capital going into this is what I call free capital?

HCW CEO Rick Huffman: Free capital?

Councilman Friend: *(Off Mic)* Free capital. *(Inaudible)*

HCW CEO Rick Huffman: It didn't come free, I can tell you that.

(Laughter)

Councilman Friend: *(Off Mic) (Inaudible)* like free capital versus...

HCW CEO Rick Huffman: It's all...John, it's all private capital from four people, myself and three others and one of my partners has a lot more than I do and is putting in more than I do. But there is plenty of capital, I can assure you that.

President Robinson: Okay, I'm going to open the questions up to the floor. Speakers...next I have...first I have Joe...I'm not sure how to pronounce your last name, but you are the attorney for Evansville Hotel Lodge?

Joe Langerak: That is correct. Madam President, Common Council Members, thanks for taking the opportunity to let me address you. My name is Joe Langerak, my business address is 221 NW Fifth Street, and I represent the Evansville Hotel Lodging Association. You have heard a lot of comments so far about how aggressively this project is moving forward and all of the benefits, and I'm here to tell you, and not mince words, we are asking you to slow down. I wanna tell you a little bit about my client. They represent fourteen hotels here locally, that represents 1600 hotel rooms and about 600 associates. I tell you that because I am going to give you some of their opinions and thoughts, and maybe more importantly some questions that you should pose and we as a public, as a group of taxpayers should pose about this project. The

questions that I'm going to submit to you come from people that have wisdom in this industry especially on a local scale. So when I list these questions to you I ask that you give them due consideration.

The hotel association does not object to the development of a new hotel in downtown Evansville. Frankly if the benefits, convention benefits in particular were as touted, they would support it. However, there are two primary points I want to make to you. First, the level of public subsidy to this project is significant, and I will get into that in detail in a moment. Second, the use of the innkeeper's tax funds is simply inappropriate for use of this project to a private developer. The Hotel Association is absolutely convinced that the 37.5 million of public funds in addition to all of the extra costs that may not be accounting for in that 37.5 million, including construction in this interest, bonding costs, legal fees, not to mention the 13 million approximately that's already been invested to get a shovel-ready cite for this project previously. What you are looking at is a 40-50 million dollar subsidy. The concern, the primary driver, is a lack of information. This project is based on a series of financial projections and assumptions to which the public has not been provided those. There's simply an evaluation that the taxpayers can't do, and the lack of forthright information inhibits those taxpayers to make a good decision on whether this is right or wrong. How can your constituents talk to you about what's going on if they don't even have access to the information? This council has repeatedly, and I applaud this council for this, stressed transparency, continue that theme. I implore you to provide this information, obtain it and provide it to the public so that individuals like my clients who are well equipped to evaluate it and offer you a valuable opinion, can do so.

HCW made a comment that I don't know, it caught me off guard, they are happy to take the private risk. That's a quote. This is a public risk, this is Evansville helping fund a project. It's not just a private risk, and it carries with it serious consideration, that I don't know has been available to the public yet. So here's my questions to you, and we encourage, as a group of hoteliers in Evansville, for you to ask these questions along with us: Number One, can we confirm the number of construction jobs to be generated by this project? Can we? Because we believe that the data will reveal given the project costs in the duration of a year and a half, that's not gonna be an accurate number of the construction jobs created. Moreover, it is our belief, as individuals in the hotel industry that to Madam President's point, a lot of the permanent jobs that may be created are set with a temporary and part time in nature.

Second, can we calculate the effect of HCW own conference center as to the new hotel project? Let me be more specific, there's gonna be conference space within this new hotel. Arguably it will be competing with the existing conference and convention space in the city. Therefore, there is a possibility that this could actually take away conventions from our existing facilities. How are those projections in play? What are those assumptions? Do we know them and have they been accounted for? The Hunden Study is a key component of our analysis, because it's really the only information we have to go off of right now, so we don't have it all.

Third question, can we reconcile the occupancy requirements of the hotel with existing rooms in Evansville. There was already some poignant questions from this Common Council, and I applaud you for going down that road. Let me take it a step further. The Hunden Study says the market can support about 120 to 180 room hotel. We are talking about 253 rooms that we know will probably fail and not be profitable in this market. Yet we're going to subsidize it, and someone said it, "if God is willing". I sure hope so, because this is a significant capital investment into a project that the experts tell us at a 70,000.00 cost that we paid, this isn't going

to work. So you are hoping it does, and I appreciate that, and we hope there is a good trajectory to this, but the experts say, "Not right now. Market won't bear it, market it won't make it profitable". Thirty percent, according the Hunden Study, of the new hotels' occupancy will be provided by the conventions in which it generates. That's great. Councilman O'Daniel you used the word cannibalizing. The other 70% for this hotel will be cannibalizing existing hotels in Evansville. That's according to the Hunden Study. That's not my client's opinion; it's the experts opinion. 70%.

Councilwoman Brinkerhoff-Riley: It's called rate chasing, is that what the term is, rate chasing, when they say its 99 and then we drop ours to 89 and then they say 70, you know.

Joe Langerak: Again, Hunden produced 190 pages of figures that I'm not gonna sit here and recite to you because you have seen it and we have talked about, but that's a fact that's in the executive summary.

We already know that HCW is seeking waivers from what their flag. A waiver for potential reduced occupancy, that's what I heard, I could be wrong, but that's a waiver that their seeking. Does this mean that they are anticipating the potential for reduced occupancy at the outset ? So are we planning on failure already? If I'm wrong, I wait to be corrected.

The Hunden Study talked about convention planners, and they reached out to convention planners, and this is a figure that's just, its bewildering to me because it's not a positive. 40% of planners said they would likely consider Evansville for conventions; they are going to consider us, that's it. So the majority aren't even gonna consider us. So is this really as appealing as its being pitched? This is a question that needs to be asked.

My fourth question to you: Can we really identify how the city will pay for necessary ongoing financial support to keep a hotel this size running? We believe, the owners of 14 hotels in this city, and the Hunden Report has verified that it's not independently sustainable. I go back to "if God willing". I don't think that's enough.

Fifth: Can we identify how the City will pay for the maintenance and support of the pros connectors to the Ford Center and Centre? And here's my point. These sky bridges at a cost, I think it was itemized at around 2.5 million for the initial construction, what do they benefit? They benefit one hotel. How is that going to be supported? Is it by innkeeper's taxes? So my client will be paying taxes so that the City can build, support, maintain and own sky bridges for the benefit of one exclusive hotel, which is owned by some company that's not from here. You are going to tax your existing hotels to support something that solely benefits a competitor, only them.

Hunden specifically pointed out a project that this City Council needs to look at. Fort Wayne was brought up earlier. Branson was discussed earlier. I think Madam President made the point that Branson is a little bit different with Evansville. They've got a lot going on there with regard to vacationing, and it is a destination. I hope Evansville is one day and so do my clients. But Hunden said look at Ft. Wayne, look what they did. And I think we need to take a hard look at that because my clients have, and it's a little scary because they received the same hard sell pitch that the mayor's office has been providing the City, and in Fort Wayne, it is simply not performing. Occupancy rates are down. I think they have less rooms downtown than we will

have. It's concerning. And Hunden said go look at this. This is your consultant, go look at this. We need to take a hard look at that.

So here is my summation to you, my clients are strongly in favor of increasing tourism in Evansville. It is their business and it's what they want. They hope that this project produces the results as touted, but there are serious concerns. Subsidizing this development with the information that we have available which is extremely limited. We can't go tit for tat right now because we're not equipped we don't have the data. But with what we know, a 40-50 million dollar subsidy on something that Hunden says might or might not work, and I've heard quoted "if God's willing", I think that's a little bit speculative.

What we specifically ask is that this Common Council take an independent look at it, just slow down. We are already hearing talks about putting out the bids, I think we rezoned it tonight. Let's slow down, have a third party look at this on your behalf. On the current situation, on the development agreement that you have before you, and with full access to all data, all financial projections, all financial assumptions is the only way to conduct the due diligence that you owe the taxpayers including my clients. My clients are confident that with careful study and implementing prudent fiscal policy, our tourism industry is poised to increase. We've got great things going on right now, but this is being pushed, it's being rushed. During the process, my clients are happy to offer any assistance to the members of the Council regarding the details of our industry, we have a wealth of knowledge we're prepared to share it, to discuss it to improve this process.

I want to thank the Council for their time and attention to my comments and the questions that I hope you will ask yourselves, and the taxpayers. that we will ask ourselves. Thank you.

President Robinson: Any questions?

Unidentified Speaker: I have a question.

President Robinson: For?

Unidentified Speaker: : For the gentlemen.

President Robinson: Can you come to the podium.

(Inaudible)

President Robinson: Come to the podium

Brad Linzy: My name is Brad Linzy I'm a resident here. I am not with the hotel. I'm not with a union. I'm just here on my own volition.

President Robinson: You the Brad Linzy?

Brad Linzy: I am the Brad Linzy.

Councilwoman Brinkerhoff-Riley: We didn't know you were real.

Brad Linzy: Hello ladies and gentlemen. I am real. I am not an internet troll I do exist in reality, and I'm here tonight.

Multiple Speakers Speaking Simultaneously

Brad Linzy: What I would like to know is your reaction to the gentlemen's statement earlier or actually it wasn't a statement, his refusal to answer Mrs. Robinson's question about exactly how many full time jobs that this is gonna create. What would your client's reaction to that be?

Joe Langerak: We don't know. We don't have the data to make that opinion. I'm wearing a button today; we want jobs, we want that. But the data isn't here yet. We haven't seen it and I don't know that many in the audience have. I am very hopeful, as is my client that jobs will be created, but I can't offer an opinion. What we have done is taken the cost projections over the time that this is gonna take, based on percentages of what labor typically constitutes on a construction project, and done the math. And it's not even close. So what we want to be done is proved wrong. Show us all the data. Let us see it. Then make the judgment on what real jobs are gonna be created.

Councilman O'Daniel: You can see why they may not wanna give...release all of that, what I call proprietary information. If it gets in the competitor's hands or something like that. I mean you can understand why they may not want to release that though couldn't you?

Joe Langerak: No I don't believe most of that's proprietary. I think there is a lot of professional judgment in that but most of those are gonna be industry standard. And that's why we can make educated guesses. But again, prove me wrong.

Unidentified Speaker: What's your educated guess?

Joe Langerak: Our educated guess is about uh, let's see are running at the total project costs times 40% labor ballpark, year and a half you can break that down to hours and at the hourly rate. So 800 jobs, and I think if you do the math, it extrapolates out to like 16 something an hour, if its 800 jobs, which we know is not the correct hourly wage for our laborers here in Evansville. It's not even close. So that means it's mathematically not possible.

Councilwoman Brinkerhoff-Riley: And I think, frankly what we are getting at when we talk about it, I just, I had it on my list I hadn't got to it, but when we talk 800 jobs, I think what that means is that 800 people will receive some compensation for something they physically did from the moment we ink this deal til the doors open up. That's what I understand it to be, and you're right, it is a manipulation of the number in that sense, but you know I talked to some laborer today, and a lot of that, you know when the electricians come, in they'll be in there for four or five months, and then the sheet metal workers, ultimately down the road to the dry-wallers, and each independent group is not gonna be there for 18 months, I don't think labor is claiming that as well, but I think it's all on how you package it. That's correct.

Joe Langerak: Madam Councilwoman, the overriding theme is the opening statement that you made, I think.

Councilwoman Brinkerhoff-Riley: Right.

Joe Langerak: We would like to know.

Councilwoman Brinkerhoff-Riley: And I...the reason that I had chimed in other than to say I don't think its lost on us that that number seems high for construction jobs, but we just really hadn't, frankly, I think that number appeared maybe since August 5th. That number is fairly new to me; I've only had about seven days to look at it. But what I wanted to ask you about was Fort Wayne. I've had a little bit of contact in Fort Wayne with different people that were involved in the Redevelopment Commission up there when that was done. What are you seeing? I mean that I understand that for the calendar year 2013, do they have ten conventions? Maybe twenty days of excitement for the whole calendar year of 13 and they are already on the interstate, so...

Councilman Friend: *(Off Mic)* Well some of the empirical information I found out, they've done four up to the year to date, and they got scheduled four for the rest of the year.

Councilwoman Brinkerhoff-Riley: So eight conventions. I mean is that...how closely have you been monitoring what's going on up there?

Joe Langerak: I have not; my clients have.

Councilwoman Brinkerhoff-Riley: Okay, I just...fair enough.

Councilman McGinn: A question on that...I don't remember, I talked with someone on this, but isn't the City of Fort Wayne subsidizing their room rate, I mean don't they guarantee them X percentage?

Councilman Friend: *(Off Mic)* Well their guaranteeing the Marriott 250 grand a year. I think they got to hit 55 or 56 percent rate. If they go below that *(Inaudible)*. If it wasn't for that, they'd be upside down up there.

Councilwoman Brinkerhoff-Riley: I think that's the same in Owensboro, they are guaranteed an occupancy rate, and we don't know what that means yet because they don't know what it means yet.

Joe Langerak: Thank you.

Brad Linzy: I have one more question for the gentleman, if that's okay. Um, what I would like to know about, concerning Mrs. Brinkerhoff-Riley's question to the gentlemen earlier about operating waivers, you mentioned operating waivers basically was kind of like a get out of jail free card if they can't provide the jobs after a certain point, they have it built into the contract that they will just be able to lay people off. My question is not to you guys about that, my question is actually to you, I would like to know, do you know the average for your clients, do you know the average number of employees that a hotel in this city supports right now, full time employees?

Joe Langerak: No. I don't have that information before the Council today.

Brad Linzy: I would like to know that.

Multiple Speakers Speaking Simultaneously - Inaudible

Unidentified Speaker: That's right! That's right!

Councilman O'Daniel: It would be different kind of room too.

Joe Langerak: Yeah, that's right. And in order to provide quantitative figures, I mean we are going to have to account for full time, part time, and so forth.

Councilwoman Brinkerhoff-Riley: And full service versus...

Joe Langerak: Correct.

Brad Linzy: Thanks for indulging my question.

President Robinson: Brad (*inaudible*) do you still need to speak.

Brad Linzy: Yes Ma'am.

President Robinson: And after that we will follow with Reverend Brooks.

Councilman Adams: (*Inaudible*)

Brad Linzy: Excuse me?

Councilman Adams: We would like your fingerprints.

Brad Linzy: My fingerprints? You wanna verify I'm not a ghost.

Councilwoman Brinkerhoff-Riley: He doesn't have any.

Brad Linzy: I do go into ghosts in this and it's not in a friendly way.

Councilman O'Daniel: We are kidding here, but Mr. Lindsey...

Brad Linzy: I think for everyone out here, I think I have tickled the feather of just about everyone up here at one point or another so...and maybe some of you guys so.

Multiple Speakers Speaking Simultaneously

Brad Linzy: Yeah, I'm Brad Linzy, sorry guys.

President Robinson: You give an address?

Brad Linzy: Oh, excuse me. It's 901 Erie Avenue, I'm not gonna give my apartment number just in case some of you decide to show up.

Multiple Speakers Speaking Simultaneously

Brad Linzy: But, you know, I just want to mention to everyone out here, the guys in the unions and everything, I am absolutely not against you guys having jobs, as a matter of fact, if...I mean I could find a way to start a factory and employ every single person here, I would do it. Um, but I did have a prepared statement; there were a lot of things that were said a little earlier that kind of got me aback and I'm sorry if I guffawed a little bit in my seat and interrupted the proceedings. It wasn't intentional.

But, you know, there were so many things that came up, and I'm glad this gentleman was here because he answered a lot of my questions already, or actually brought up a lot of points that I wanted to bring up but I'm going to read my prepared statement and go about my way.

Ladies and gentlemen of the Council, having recently seen the video of Mayor Winnecke uploaded to You-Tube, and that's actually what brought me here, was the You-Tube video, and having disagreed on virtually every fundamental point he made in that video, I feel like a public rebuttal is in order. I will address a few of my disagreements here if it please the Council.

First, the assertion that there will be no...there will be more heads in beds is ludicrous. Building a hotel to meet a non-existent increase in demand does not magically create new customers for a business. Anybody who's in business should know that. Those customers, if they come to this new downtown hotel, will be taken from other hotels in the area. So no, you will not create new business or more heads in beds. You will merely spread the existing customers across a larger number of hotels. It is an immutable principle of economics that you don't create a larger demand for a product or service simply by offering more of it. Because of this, there will be no appreciable gross increase in the inn-keepers tax, which was another claim that he made in his You-Tube video. That is just absolutely ludicrous. That claim is as ludicrous on its surface as the assertion that there would be more heads in beds. If anything, a new downtown hotel, built with the aid of taxpayer subsidies, will push other hotels in the area out of business.

Any new permanent jobs created at this new hotel will be lost from some other area of town. You know we are not in a...in some kind of Netherworld here. I mean, you know, you push down on one thing over here, something has gotta go up over here. That's the economy. That's economics. Milton Freedman told us that.

Excuse the parallel here but you know, this is not *Field of Dreams*. None of us here is Kevin Costner. We do not converse with ghosts, possessing the gift of foresight. No matter how much we might try to argue contrary, the fact remains, if we build it, they may not come. And even if they do, again, it will come at the expense of other competing hotels in the City. No one, not Mayor Winnecke, not even Conrad Hilton himself could create an increase in aggregate demand for hotel rooms simply by building another hotel. Imagine that. If you could create your own demand just by building a business, I mean, how many hotels would there be? We'd put one on every street corner, would we not? If we could simply create this demand out of thin air, there would be hotels everywhere. Just think about the principle of that for a minute.

Demand is based on larger factors such as overall employment, wages and production in the larger economy. This is not something one, two or even nine people on this Council can control. America was built upon principles of free-markets, free enterprise and free competition. To subsidize one hotel by essentially giving that owner over 37 million dollars of City funds created out of future debt, while continuing to penalize the competition through punitive City inn-keepers taxes is patently un-American. Worse still, like many other well-intentioned public projects of the past, it will not create the desired effect.

I urge this Council to look long and hard at this proposal before ultimately casting a vote of no. I urge you to revisit your assumptions and during, what I hope, is a thorough and arduous vetting process, ask the question, "Does oversupply of a good or service really create more demand for that good or service?" Does it? Or is it more truthful to say that free-market entrepreneurs, risking their own capital, not 37½ million dollars of someone else's (*Inaudible*)...risking their own capital, know best where and when to build hotels, not politicians spending the money of future generations of Evansville residents. We should leave the hotel-building to the hotel magnates and let the politicians stick to the sewers, where they belong. No pun intended.

Thank you for the opportunity to speak on the issue.

Councilman Friend: (*Off Mic*) Brad, you kinda brought up a question you need to ask Bob. Bob you got a second (*Inaudible*).

Brad Linzy: Should I remain sir?

Councilman Friend: (*Off Mic*) (*Inaudible*) Stick around. No, no. The other Bob. I'm sorry. Bob with London Witte. But I appreciate (*Inaudible*).

Laughter

Councilwoman Brinkerhoff-Riley: Would everybody named Bob just move forward.

Councilman Friend: (*Off Mic*) Bob, I need to ask you something. One of the things that he had pointed out...now the way we got our property tax structured here, it's usually based upon a cap rate that goes into these hotels. If this would come true, when you would drop all the revenues from one entity of a...outside the TIF, and we bring it into the TIF, okay, what would be the impact of property taxes because if you got 3% of appraised value, so leave off that from the net income (*Inaudible*) not valued by the cost of (*Inaudible*). They're all valued by the income method. Would you agree?

Bob Swintz: I don't...well I wouldn't...I don't know the answer to that.

Councilman Friend: (*Off Mic*) (*Inaudible*) They're valued by income method. So that would drop those back so the question is what would be the impact? I know the jobs over here but what's the impact of that property tax base that the City (*Inaudible*)?

Bob Swintz: How much or...well I wouldn't know what the impact would be.

Unidentified Speaker: In the County or in the City?

Councilman Friend: (*Off Mic*) In the City. (*Inaudible*) on the City. My question (*Inaudible*) take the pro forma; you know what that they're gonna say about those revenues (*Inaudible*) plug that back in and run those things through. So every dollar that you see coming out of that, you can see probably \$12.00 in value (*Inaudible*). This is an expensive (*Inaudible*).

Bob Swintz: Is that a question? I mean...

Councilman Friend: (*Off Mic*) What's that?

Councilman Adams: It goes into the TIF; it comes out of the General Fund.

Councilman Friend: *(Off Mic)* No, I'm saying if the other hotels are gonna be...if they are gonna drop in value so now you've got 3% of that value we lose over there.

Bob Swintz: If everything is based on a revenue method and you increased revenue here and you decrease it here...

Councilman Adams: *(Off Mic) (Inaudible)*

Councilman Friend: *(Off Mic)* It's out of the General Fund, yes.

Unidentified Speaker: What are you trying to do?

Councilman Friend: *(Off Mic)* It comes out of our General Fund.

Unidentified Speaker: *(Off Mic) (Inaudible)* if the TIF goes up, the General Fund *(Inaudible)*

Councilman Friend: *(Off Mic)* Exactly.

Brad Linzy: But this gentleman's projections was something like \$800,000. Was I hearing that right, of projected revenue for the City through taxes? Is that what this hotel is ultimately gonna generate?

Multiple Speakers Speaking Simultaneously (Inaudible)

Brad Linzy: Okay, well my little calculator on the other end of this phone tells me that that's going to take 47 years. Forty-seven years at zero interest to pay back your 37½ million dollar up-front investment. Forty-seven years.

Councilwoman Brinkerhoff-Riley: It's a pretty stark contrast. It's 12½ in tax revenue and about 65 million we put out for the project. Twenty-five years at 2.6 million versus...

Brad Linzy: Are they projecting 25?

Councilwoman Brinkerhoff-Riley: I think we're paying 25 years at 2.6 million, right? Twenty-five years at 2.6 in terms of a bond...

Brad Linzy: Well that's slightly better but still. I mean what you're doing is you're selling the next generation of Evansville residents down the river if you vote for this. I don't see how you could justify doing this and having 545 million, or whatever it is, in upcoming sewer liabilities to take care of. How are you going to do that and do these little projects as well...and which was interesting that they didn't mention any of that. "Oh, we'll have plenty of money for these upcoming projects; these upcoming things that we have going on". They didn't mention any of that...

Councilman Lindsey: Hey Brad, you know how they're gonna do that? You know how they're gonna fund that? Why they don't worry about that?

Brad Linzy: Who am I speaking with?

Councilman Lindsey: Right here, right here.

Brad Linzy: Oh, yes.

Councilman Lindsey: Do you know why they don't worry about that? They know where that money is coming from. It's coming from the back of the rate-holder, the people that use the services. They're not worried about that. They know where that money's gonna come from. It's gonna come from you and I and everybody in this room that flush their toilets or...

Brad Linzy: That is if the population doesn't decline...

Councilman Lindsey: But that's why they don't worry about that.

Brad Linzy:...like it has in other areas like Detroit.

Councilman Lindsey: That's another universe.

Brad Linzy: That's not another universe if keeping pushing...giving people an incentive to leave.

Councilman Lindsey: That's in their minds.

Brad Linzy: That will be a universe that exists right here.

Councilman Lindsey: But that's in their minds.

Brad Linzy: That's not another universe.

Councilman Lindsey: That's how they think though.

Brad Linzy: That's economics.

Councilman Lindsey: They know where that's gonna come from.

President Robinson: *(Off Mic) (Inaudible)* Okay.

Brad Linzy: Thank you.

President Robinson: *(Off Mic)* Thank you Brad.

Brad Linzy: Yes Ma'am.

President Robinson: *(Off Mic)* Okay, we need to...I know we've got a lot of people *(Inaudible)* that want to talk and we're also gonna hear this September the 9th I think, under the Finance Committee. Is that true John? *(Inaudible)*

Councilman Friend: *(Off Mic)* Yes Madam President. Yes

President Robinson: *(Off Mic)* Okay. HCW is getting ready to leave. They have a flight and I do respect...do you have anything that you need to say Rick?

HCW CEO Rick Huffman: Just that I'll be happy to provide any further information based on the questions tonight. If they're provided to us, we'd be happy to do that.

Councilman O'Daniel: Would you provide the pro forma or your cost estimates based on 180 room hotel?

HCW CEO Rick Huffman: On 180? We will.

Councilman O'Daniel: Okay.

HCW CEO Rick Huffman: Sure, be happy to. And we also have another market study that HVS out of Chicago, the Chicago office, is doing for us that's independent of the City and it's just for us, not for...I'm not going to share it with the public but it is for us, for our private investment, to reaffirm what we think we believe. And I can surely appreciate the Hotel Council's opinions here tonight. I'm sure Mr. Dunn wouldn't have built the new Courtyard on the other side of town if the market was horrible. I'm sure he's a smarter guy than that. And I did this exact same thing 16 months ago in Manhattan, Kansas. I stood before a Council and said, "I don't want another hotel across the street from my hotel. I don't want any public subsidy", and they got free *(Inaudible)* and they got all sorts of stuff. Okay? Cause that's what we do. Nobody wants competition next door. It was built. My hotel's actually performing better. I haven't lost any money. So I can understand their feelings. It's natural. We see it all the time in these projects. But also, I do want you to understand, I think we have built several projects, over 100 million dollars, we do know what it provides in jobs for construction. You were correct on how jobs are calculated. It is a pretty big economic impact on that with the jobs.

So, thanks for your time. I hate to get...we have a flight we have to catch at the airport.

President Robinson: *(Off Mic)* Thank you for coming and I guess we look forward to seeing you September the 9th.

HCW CEO Rick Huffman: We'll be here.

President Robinson: *(Off Mic)* I am sorry you did not get to speak. The Mayor's gonna have neighborhood meetings. I urge everyone to attend the neighborhood meetings and come back on September the 9th.

Unidentified Speaker: How about the questions?

Unidentified Speaker: What about the questions from the public?

President Robinson: *(Off Mic)* What about the what?

Unidentified Speaker: I've only been here since 3:00 this morning...from the public.

President Robinson: We're not voting tonight.

Unidentified Speaker: Questions from the public!

President Robinson: Yeah, okay. Sorry

Unidentified Speaker: Not questions. I'm sorry. Comments.

President Robinson: We are now adjourning until September the 9th *(Inaudible)*.

Unidentified Speaker: There is a possibility I may not be able to come. I've not been able to come for quite a while and I just have one comment.

President Robinson: Okay but...

Unidentified Speaker: I would appreciate it.

Unidentified Speakers Speaking Simultaneously (Inaudible)

President Robinson:...if I let you talk then I have to let everyone else talk and we're gonna have questions on September the 9th. *(Inaudible)* your friends would look on Facebook *(Inaudible)*.

COMMITTEE REPORTS:

FINANCE COMMITTEE:

CHAIRMAN FRIEND

BUDGET HEARINGS:

August 14, 2013

August 19 – 22, 2013

BUDGET HEARINGS SCHEDULE

August 14, 2013 - Joint City/County Budget Hearings

Time: 3:30 – ? p.m. Room 301

City Budget Hearings

August 19, 20, 21, 22 – 2013

Time: 2:30 – ? p.m. Room 301

August 26, 2013

FINANCE COMMITTEE:

CHAIRMAN JOHN FRIEND

Re: Ordinance F-2013-12

Transfer and Appropriation of Funds

Date: August 26, 2013

Time: 5:20 p.m.

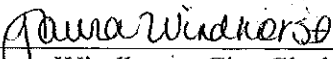
Notify: Russell G. Lloyd

ADJOURNMENT

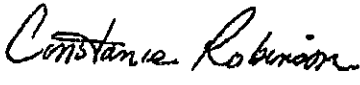
Can I have a motion for adjournment?

Councilman O'Daniel moved and Councilwoman Robinson seconded the motion to adjourn.
Voice Vote. So Ordered.

Meeting adjourned at 8:27 p.m.



Laura Windhorst, City Clerk



Constance Robinson, President